

PERINI CORP  
Form PRER14A  
July 03, 2008  
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## **SCHEDULE 14A**

**(Rule 14a-101)**

### **INFORMATION REQUIRED IN PROXY STATEMENT**

#### **SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. 1)**

Filed by the registrant  x

Filed by a party other than the registrant  ..

Check the appropriate box:

x Preliminary Proxy Statement

.. **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

.. Definitive Proxy Statement

.. Definitive Additional Materials

.. Soliciting Material under Rule 14a-12

**PERINI CORPORATION**

**(Name of Registrant as Specified in its Charter)**

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box.):

- .. No fee required
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated, and state how it was determined.):

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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2), and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration number or the form or schedule and the date of its filing.

(1) Amount previously paid:

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(2) Form, schedule, or registration statement no.:

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(3) Filing party:

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(4) Date filed:

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*Perini Corporation*

*73 Mt. Wayte Avenue*

*Framingham, Massachusetts 01701*

To Perini Corporation Shareholders:

On behalf of the board of directors of Perini Corporation, we are pleased to deliver our proxy statement for our 2008 annual meeting of shareholders, at which you will be asked to vote upon proposals relating to the merger between Perini and Tutor-Saliba Corporation, as well as other matters. Upon completion of the merger, Perini shareholders prior to the merger will own approximately 55% of the combined company's outstanding shares of common stock and the Tutor-Saliba shareholders prior to the merger will own approximately 45% of the combined company's outstanding shares of common stock. We will use the term "combined company" to refer to Perini as it will exist after completion of the merger.

We believe the merger will create a strong combined company that will deliver important benefits to our shareholders. We enthusiastically support the merger and recommend that you vote **FOR** the proposals related to the merger (which are the share issuance proposal and the articles amendment proposal), each of the board of directors' nominees of Class III directors and the other proposals described in the accompanying notice of annual meeting and proxy statement.

The annual meeting of shareholders will be held on [ ], 2008, at [ ] at [ ], local time. The accompanying notice of annual meeting and proxy statement describe the matters to be presented at the meeting.

Before voting, you should carefully review all the information contained in the accompanying proxy statement. **For a discussion of risk factors which you should consider in evaluating the merger, please see RISK FACTORS beginning on page 25 of the accompanying proxy statement.**

**Your vote is important.** Whether or not you plan to attend the annual meeting, please complete your proxy card and return it to us to ensure that your vote is counted. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from them to vote your shares.

Thank you for your continued support.

Sincerely,

Michael R. Klein

Vice Chairman and Lead Director of the Perini Board of Directors

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in the accompanying proxy statement or the securities to be issued pursuant to the merger described in the accompanying proxy statement or determined if the accompanying proxy statement is accurate or adequate. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [ ], 2008 and is first being mailed to shareholders on or about [ ], 2008.

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**2008 ANNUAL MEETING OF SHAREHOLDERS**

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*Perini Corporation*

*73 Mt. Wayte Avenue*

*Framingham, Massachusetts 01701*

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON [ ], 2008**

TO THE SHAREHOLDERS OF PERINI CORPORATION:

NOTICE IS HEREBY GIVEN that the 2008 annual meeting of the shareholders of Perini Corporation, a Massachusetts corporation ( Perini ), will take place at [ ], on [ ], 2008, at [ ], local time.

At the meeting, holders of Perini common stock will consider and vote on the following matters:

1. a proposal to approve the issuance of 22,987,293 shares of Perini common stock in the merger contemplated by the Agreement and Plan of Merger, dated as of April 2, 2008, by and among Perini, Trifecta Acquisition LLC, Tutor-Saliba Corporation, a California corporation ( Tutor-Saliba ), Ronald N. Tutor and shareholders of Tutor-Saliba, as amended by Amendment No. 1 thereto, dated as of May 28, 2008;
2. a proposal to amend our amended and restated articles of organization to increase the number of authorized shares of Perini common stock from 40 million to 75 million shares;
3. the election of four (4) Class III directors, to hold office for a three-year term, expiring at our 2011 annual meeting of shareholders and until their successors are duly elected and qualified;
4. a proposal to ratify the selection of Deloitte & Touche LLP, independent registered public accountants, as auditors of Perini for the fiscal year ending December 31, 2008;
5. a proposal to amend our 2004 Stock Option and Incentive Plan to increase the number of shares authorized for issuance under the plan from 3 million to 5.5 million;
6. a proposal to approve the adjournment or postponement of the annual meeting if necessary to solicit additional proxies or as otherwise necessary; and
7. such other business as may properly come before the meeting.

The board of directors has fixed the close of business on [ ], 2008 as the record date for the determination of the shareholders entitled to vote at the meeting. Only shareholders of record as of the close of business on the record date will be entitled to notice of and to vote at the meeting and any adjournments or postponements thereof.

A proxy is being solicited from holders of Perini common stock. Whether or not you plan to attend the meeting, please vote as soon as possible. Shareholders have three options for submitting their vote. You may vote by mail by executing and returning the enclosed proxy card in the enclosed envelope, which requires no postage if mailed in the United States. You may also vote electronically by logging on to the Internet at

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*www.investorvote.com/PCR* and following the instructions. The third option is to call 1-800-652-VOTE (8683) and follow the recorded instructions. There is no charge for the call if initiated from the United States.

By order of the board of directors,

Susan C. Mellace,

Corporate Secretary

Framingham, Massachusetts

[ ], 2008

### **Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on [ ], 2008**

This proxy statement and the 2007 Annual Report are available for viewing, printing and downloading at <http://phx.corporate-ir.net/staging/phoenix.zhtml?c=106886&p=proxy>.

Copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the Securities and Exchange Commission, and as amended on April 29, 2008, except for exhibits, will be furnished without charge to any shareholder upon written or oral request to Perini Corporation, Attn: Investor Relations Dept., 73 Mt. Wayte Ave., Framingham, MA 01701, telephone 508-628-2000.



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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE MEETING**

*The following questions and answers address briefly some questions you may have regarding the matters to be voted upon at the annual meeting. These questions and answers may not address all questions that may be important to you as a Perini shareholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement. In this proxy statement, the terms the Company, Perini, we, us, and our, and any derivation thereof, refer to Perini Corporation prior to the merger with Tutor-Saliba.*

**Why am I receiving this proxy statement?**

Perini is soliciting proxies for the 2008 annual meeting of shareholders. You are receiving a proxy statement because you owned shares of Perini common stock on [ ], 2008, the record date, and that entitles you to vote at the meeting. By use of a proxy, you can vote whether or not you attend the meeting. This proxy statement describes the matters on which we would like you to vote and provides information on those matters so that you can make an informed decision.

**How does this annual meeting differ from Perini's typical annual meeting?**

In addition to the annual task of electing directors and ratifying the appointment of our independent registered public accounting firm, our shareholders will be asked to vote upon a proposal to increase the number of shares authorized under our 2004 Stock Option and Incentive Plan and proposals relating to a merger which, if completed, will significantly expand our scale of operations, increase our geographic scope, and position us for future growth by adding substantial management capacity, client relationships and other financial and operational resources.

**Why has Perini decided to merge with Tutor-Saliba?**

We believe that the merger will provide substantial strategic and financial benefits to our company, our shareholders and our customers, including the following:

increased scale and greater diversification of our business;

entry into additional high-growth and high-margin markets and projects;

consolidation of Ronald N. Tutor's, our chief executive officer and chairman, management activities on the growth and development of the combined company, and elimination of risk that he might leave Perini to focus on Tutor-Saliba;

additional management depth and enhanced management capabilities;

enhanced commercial building and civil business operations, due to the complementary and synergistic strengths of the two companies in these market segments;

greater opportunities to win new, substantial contracts to drive accelerated revenue growth;

ability to use the strength of Perini's balance sheet to win additional large civil and public works projects that require surety capacity in excess of what Tutor-Saliba was able to obtain; and

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opportunities to realize significant synergies.

Please see "Reasons for the Merger" beginning on page 45 for a detailed discussion of the reasons for and benefits of the merger.

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### **When do you expect the merger to be completed?**

We hope to complete the merger as soon as reasonably practicable. We are working to complete the merger by the end of the third quarter of 2008. We cannot consummate the merger until the Perini shareholders approve the proposals related to the merger described in this proxy statement and until the other conditions set forth in the Agreement and Plan of Merger, dated as of April 2, 2008, by and among Perini, Trifecta Acquisition LLC, Tutor-Saliba, Ronald N. Tutor and shareholders of Tutor-Saliba (which we refer to in this proxy statement as the Merger Agreement), are satisfied or waived by the respective parties to the Merger Agreement. In addition, other factors outside of our control could require us to complete the merger at a later time or not to complete it at all. For a discussion of the conditions to the completion of the merger and of the risks associated with the failure to satisfy such conditions, please see The Merger Agreement beginning on page 68 and Risks Factors The merger may not be completed, which could adversely affect Perini's business operations and stock price. beginning on page 25.

### **What are the specific proposals that shareholders will consider with respect to the merger?**

There are two proposals related to the merger:

1. a proposal to approve the issuance of 22,987,293 shares of Perini common stock in the merger contemplated by the Merger Agreement, referred to in this proxy statement as the share issuance proposal; and
2. a proposal to amend our amended and restated articles of organization to increase the number of authorized shares of Perini common stock from 40 million to 75 million shares, referred to in this proxy statement as the articles amendment proposal.

### **What other proposals will shareholders be asked to vote on at the annual meeting?**

In addition to the merger proposals, Perini shareholders are being asked to vote on the following matters:

the election of four (4) Class III Directors, to hold office for a three-year term, expiring at our 2011 annual meeting of shareholders and until their successors are duly elected and qualified;

a proposal to ratify of the selection of Deloitte & Touche LLP, independent registered public accountants, as auditors of Perini for the fiscal year ending December 31, 2008;

a proposal to amend of our 2004 Stock Option and Incentive Plan to increase the number of shares authorized for issuance under the plan from 3 million to 5.5 million, referred to in this proxy statement as the plan amendment proposal; and

a proposal to approve the adjournment or postponement of the annual meeting if necessary to solicit additional proxies or as otherwise necessary.

### **What is the purpose of the amendment of the Perini amended and restated articles of organization?**

Under our current amended and restated articles of organization, we do not have a sufficient number of shares of Perini common stock authorized to satisfy our obligations to issue approximately 23 million shares to the Tutor-Saliba shareholders in connection with the merger. We are proposing to amend our amended and restated articles of organization to increase the number of authorized shares of Perini common stock available for issuance from 40 million to 75 million. Perini does not intend to amend its amended and restated articles of organization to effect this change unless the merger will be completed (even if the Perini shareholders have approved the articles amendment proposal).

### **Are there risks I should consider in deciding how to vote on the proposals related to the merger?**

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Yes. In evaluating the proposals related to the merger, you should carefully read this proxy statement, including the factors discussed in the section "Risk Factors" beginning on page 25. *You are urged to read this proxy statement in its entirety prior to voting or submitting a proxy.*

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### **What votes are required to adopt the proposals that will be submitted to shareholders at the annual meeting?**

Assuming a quorum is present (other than with respect to Proposal 6), the following votes are required to approve the proposals:

*Proposal 1:* Approval of the share issuance proposal requires the affirmative vote of the holders of a majority of the votes cast at the annual meeting (provided that the total votes cast on the proposal represents over 50% in interest of all Perini common stock entitled to vote on the proposal at the annual meeting).

*Proposal 2:* Approval of the articles amendment proposal requires the affirmative vote of holders of a majority of the outstanding shares of Perini common stock entitled to vote at the annual meeting (regardless of whether such holders are present in person or represented by proxy at the annual meeting).

*Proposal 3:* Election of each of the nominees for director requires the affirmative vote of a plurality of the votes cast at the annual meeting.

*Proposal 4:* Ratification of the selection of Deloitte & Touche, LLP as our independent auditors for 2008 requires the affirmative vote of a majority of the votes cast on the proposal at the annual meeting.

*Proposal 5:* Approval of the plan amendment proposal requires the affirmative vote of the holders of a majority of the votes cast at the annual meeting (provided that the total votes cast on the proposal represents over 50% in interest of all Perini common stock entitled to vote on the proposal at the annual meeting).

*Proposal 6:* Approval of a proposal to adjourn or postpone the annual meeting requires the affirmative vote of holders of a majority of the votes cast on the proposal at the annual meeting, whether or not a quorum is present.

The actions contemplated by Proposals 1, 2 and 5, even if approved by our shareholders, will not occur unless we complete the merger.

### **Why is my vote important?**

If you do not return your proxy card or submit your proxy by telephone or via the Internet or vote in person at the annual meeting, it will be more difficult for Perini to obtain the necessary quorum to hold the annual meeting. For the Perini annual meeting, the presence, in person or by proxy, of holders of a majority of the issued and outstanding shares entitled to vote at the meeting constitutes a quorum for the transaction of business. If a quorum is not present at Perini's annual meeting, our shareholders will not be able to take action on any of the proposals at that meeting.

In addition, your vote is important because, in light of the voting requirements described above, abstentions, failures to vote and broker non-votes will have the same effect as a vote against the articles amendment proposal (Proposal 2). Moreover, if you do not return your proxy card, submit your proxy by telephone or via the Internet, vote in person at the annual meeting or provide your bank, broker, custodian or other recordholder with instructions on how to vote your shares on Proposal 1 and Proposal 5, or you abstain on Proposal 1 or Proposal 5, it will be more difficult for Perini to ensure that the total votes cast on each of the share issuance proposal and the plan amendment proposal represent over 50% in interest of all Perini common stock entitled to vote on each such proposal. Accordingly, if you do not vote, it will be less likely that the votes necessary to approve the merger and the amendment to the plan will be obtained.

### **What do I need to do now?**

After carefully reading and considering the information in this proxy statement, please submit your proxy by telephone or via the Internet in accordance with the instructions set forth in the enclosed proxy card, or fill out, sign and date the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope so that your shares may be voted at the annual meeting.

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### **Do I need to send in my stock certificates if the merger is completed? Should I send in my stock certificates?**

No. You will not be required to exchange your certificates representing shares of Perini common stock in connection with the merger. Tutor-Saliba is merging with a wholly owned subsidiary of Perini. In the merger, Perini will issue additional shares of its common stock to the shareholders of Tutor-Saliba in exchange for their shares of Tutor-Saliba common stock. The previously outstanding shares of Perini common stock will continue to remain outstanding following the merger. You will not receive any cash or securities in connection with the merger, but instead you will continue to hold your existing shares of Perini common stock.

### **May I vote in person?**

Yes. If you are a shareholder of record as of [ ], 2008, you may attend our annual meeting and vote your shares in person instead of returning your signed proxy card or submitting your proxy by telephone or via the Internet. However, because you can revoke a previously granted proxy by attending our annual meeting and voting your shares in person, we urge you to return your proxy card or submit your proxy by telephone or via the Internet even if you are planning to attend our annual meeting.

### **If my shares are held in street name by my broker, will my broker vote my shares for me even if I do not give my broker voting instructions?**

Your broker will vote your shares if you provide instructions on how to vote. In addition, brokerage firms have the authority under the rules of the NYSE to vote their clients' unvoted shares on certain routine matters. The election of directors (Proposal 3), the ratification of Deloitte & Touche LLP as our independent auditors for the fiscal year ending December 31, 2008 (Proposal 4) and the proposal to adjourn or postpone the annual meeting (Proposal 6) are considered routine matters, therefore, your brokerage firm may vote your shares for you if you do not return your proxy. However, the proposals related to the merger and the plan amendment proposal are not routine matters under the NYSE rules, and your broker does not have discretionary authority to vote on those proposals. Therefore, if your shares are held in street name by your broker and you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote on (i) the share issuance proposal, (ii) the articles amendment proposal or (iii) the plan amendment proposal. You should therefore be sure to provide your broker with instructions on how to vote your shares. Please check the voting form used by your broker to see if it offers telephone or Internet submission of proxies.

### **Can I revoke my proxy and change my vote?**

Yes. You have the right to revoke your proxy at any time prior to the time your shares are voted at the annual meeting. If you are a shareholder of record, your proxy can be revoked in several ways: by timely delivery of a written revocation to our corporate secretary, by submitting another valid proxy bearing a later date or by attending the annual meeting and voting your shares in person.

You may also revoke your proxy and submit a new proxy by telephone or via the Internet.

However, if your shares are held in the name of your bank, broker, custodian or other recordholder, you must check with your bank, broker, custodian or other recordholder to determine how to revoke your proxy.

### **How will my shares be voted if I send in my signed proxy without providing any voting instructions?**

If no direction is indicated, the proxies will be voted (1) **FOR** each director nominee and **FOR** approval of Proposals 1, 2, 4, 5 and 6, and (2) as to any matters for which Perini did not have notice on or before [ ], 2008 properly brought before the annual meeting, in the sole discretion of the Perini board of directors as to such matters.

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**When and where is the annual meeting?**

The Perini annual meeting will take place at [ ], on [ ], 2008, at [ ], local time.

**Who can help answer my questions regarding the meeting or the merger?**

INNISFREE M&A INCORPORATED

501 Madison Avenue, 20th Floor

New York, New York 10022

Shareholders call toll-free: (877) 750-5836

Banks and Brokers may call collect: (212) 750-5833

You may also contact:

Perini Corporation

73 Mt. Wayte Avenue

Framingham, MA 01701

Attention: Susan C. Mellace, Corporate Secretary

(508) 628-2000

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**SUMMARY**

*This summary highlights selected information from this proxy statement with respect to the proposed merger and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the Merger Agreement and the related agreements, you should carefully read this entire proxy statement. Please see *Where You Can Find Additional Information* beginning on page 146. We have included references to other portions of this proxy statement to direct you to a more complete description of the topics presented in this summary, which you should review carefully in their entirety.*

**The Companies (see page 33)**

*Perini Corporation Trifecta Acquisition LLC 73 Mt. Wayte Avenue Framingham, Massachusetts 01701 (508) 628-2000*

Perini is a leading construction services company that operates in three primary segments: building, civil and management services. Our building segment focuses on large, complex projects in the hospitality and gaming, sports and entertainment, educational, transportation, corrections, healthcare, biotech, pharmaceutical and high-tech markets in New York, Connecticut, New Jersey, Massachusetts, Florida, Washington, D.C., Arizona, Nevada and California. Our civil segment focuses on public works construction primarily in the northeastern and mid-Atlantic United States, including the repair, replacement and reconstruction of public infrastructure such as highways, bridges, mass transit systems and wastewater treatment facilities. Our management services segment provides diversified construction, design-build and maintenance services to the United States military and government agencies as well as surety companies and multi-national corporations in the United States and overseas.

Trifecta Acquisition LLC is a California limited liability company and a wholly owned subsidiary of Perini. It was formed solely for the purpose of entering into the Merger Agreement with Perini and Tutor-Saliba and completing the merger. It has not conducted any business operations other than those contemplated by the Merger Agreement.

*Tutor-Saliba Corporation 15901 Olden Street Sylmar, California 91342 (818) 362-8391*

Tutor-Saliba is a leading civil infrastructure and commercial building construction company that operates in three segments: domestic building, domestic civil and international. Tutor-Saliba's domestic building operations focus on large, complex buildings in the gaming and hospitality, sports and entertainment, transportation, education and healthcare markets, primarily in Nevada and California. Tutor-Saliba's domestic civil operations focus on large, complex public infrastructure construction, including highways, bridges, airports, wastewater treatment facilities and mass transit systems focused primarily in California and New York. Tutor-Saliba's primary customers in its domestic civil segment are federal and state government agencies and local municipalities. Tutor-Saliba's international operations are conducted primarily on the island of Guam and in the Philippines.

Tutor-Saliba is a privately held corporation. Its principal shareholders are two trusts controlled by Ronald N. Tutor, who is our chairman and chief executive officer.



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**The Merger and the Merger Agreement (see page 33)**

In the merger, Tutor-Saliba will merge with and into Trifecta Acquisition LLC, with Trifecta Acquisition LLC surviving the merger and continuing as a wholly owned subsidiary of Perini. Upon completion of the merger, Trifecta Acquisition LLC will be renamed Tutor-Saliba LLC.

The merger will be completed only after the satisfaction or waiver of the conditions to the completion of the merger set forth in the Merger Agreement among Perini, Tutor-Saliba and the other parties thereto. The Merger Agreement as executed is attached as *Annex A* to this proxy statement. Amendment No. 1 to the Merger Agreement is attached as *Annex AA* to this proxy statement. Unless specifically stated otherwise, reference to the Merger Agreement in this proxy statement refers to the Merger Agreement, as amended. We encourage you to read the Merger Agreement carefully and fully, as it is the legal document that governs the merger.

**Merger Consideration (see page 69)**

In the merger, Perini will issue 22,987,293 shares of Perini common stock to the Tutor-Saliba shareholders in exchange for their shares of Tutor Saliba common stock. Upon completion of the merger, Perini shareholders prior to the merger will own approximately 55% of the combined company's outstanding shares of common stock and Tutor-Saliba shareholders prior to the merger will own approximately 45% of the combined company's outstanding shares of common stock. Two trusts controlled by Mr. Tutor, which collectively own approximately 96% of the outstanding shares of Tutor-Saliba common stock, will own approximately 43% of the outstanding shares of the combined company's common stock upon completion of the merger. In this proxy statement, we refer to the Tutor-Saliba shareholders immediately prior to the merger who will receive Perini common stock in connection with the merger as the former Tutor-Saliba shareholders.

Based on the closing price per share of Perini common stock of \$38.25 on April 2, 2008, which is the date on which we publicly announced execution of the Merger Agreement after the end of the full trading day, the dollar value of the shares of Perini common stock to be issued as consideration for the merger was approximately \$879.3 million. On a preliminary basis, we estimate that the purchase price, together with transaction costs that are currently estimated to be approximately \$19.2 million, will be allocated to the net assets of Tutor-Saliba as follows:

Net tangible assets as of March 31, 2008 at estimated fair value: \$4.6 million

Identifiable intangible assets: \$234.9 million

Deferred tax liabilities: \$(87.4 million)

Goodwill: \$746.4 million

Based on these amounts, and after reflecting the pro forma adjustments described in the section of this proxy statement entitled "Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page 108, the pro forma diluted earnings per common share of the combined company for the three months ended March 31, 2008 is \$0.74 and the pro forma diluted earnings per common share of the combined company for the year ended December 31, 2007 is \$2.70 (excluding Tutor-Saliba's non-recurring gain on the sale of marketable securities). The unaudited pro forma condensed combined financial statements apply certain assumptions and adjustments which are based upon available information and assumptions that the managements of Perini and Tutor-Saliba believe reasonably reflect the merger.

**Exchange Ratio (see page 69)**

Pursuant to the Merger Agreement, each share of Tutor-Saliba common stock issued and outstanding immediately prior to the completion of the merger, but excluding shares of Tutor-Saliba common stock owned by



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Tutor-Saliba or any of its subsidiaries, will be converted into the right to receive a number of shares of Perini common stock equal to the quotient obtained by dividing (i) 22,987,293 shares of Perini common stock by (ii) the total number of shares of Tutor-Saliba common stock issued and outstanding as of immediately prior to the effective time of the merger. This quotient, which is referred to in this proxy statement as the exchange ratio, determines the number of shares of Perini common stock that would be received by the former Tutor-Saliba shareholders in the merger in exchange for each share of Tutor-Saliba common stock that is outstanding immediately prior to the effective time of the merger (other than certain excluded shares specified in the Merger Agreement).

As of June 30, 2008, there were 900,043 shares of Tutor-Saliba common stock outstanding. The exchange ratio, if computed as of such date, would be 25.54 shares of Perini common stock for each outstanding share of Tutor-Saliba common stock. As the number of shares of Perini common stock to be issued in the merger is fixed, any change to the number of shares of Tutor-Saliba common stock that are outstanding immediately prior to completion of the merger will result in a change in the exchange ratio but will have no effect on the capitalization of the combined company.

### **The Shareholders Agreement (see page 81)**

In connection with the execution of the Merger Agreement, Perini, Mr. Tutor and the other former Tutor-Saliba shareholders who will become Perini shareholders pursuant to the merger entered into a shareholders agreement. In this proxy statement, we refer to this agreement as the Shareholders Agreement. The Shareholders Agreement will become effective upon the completion of the merger.

The Shareholders Agreement imposes certain restrictions on, and provides certain rights to, the former Tutor-Saliba shareholders, in particular with respect to the shares of Perini common stock they will receive in the merger. The terms of the Shareholders Agreement are intended to (i) limit the degree of influence that Mr. Tutor and the other former Tutor-Saliba shareholders will be able to exert as Perini shareholders over the governance of Perini and on matters that are subject to a vote of Perini shareholders (other than in Mr. Tutor's capacity as a member of the Perini board of directors), (ii) require that a significant amount of Mr. Tutor's personal net worth, including through two trusts controlled by him, will be tied to the performance of the combined company, and (iii) prevent a disorderly sale of the shares of Perini common stock to be issued in the merger. The Special Committee negotiated with Tutor-Saliba for the restrictions on Mr. Tutor's influence as a Perini shareholder in light of the large percentage of the combined company to be held by the trusts controlled by Mr. Tutor and the potential influence that he might otherwise have had (and that the other Perini shareholders would have lost) by virtue of this large ownership interest. In particular, the Special Committee sought to limit Mr. Tutor's ability as a Perini shareholder to influence or control certain actions that are subject to a vote of all Perini shareholders. The Special Committee also sought to restrict Mr. Tutor from acquiring the combined company (without the consent of the Perini board of directors) or from completing block transfers of shares of Perini common stock at a premium price not generally available to other Perini shareholders.

The Shareholders Agreement includes voting restrictions providing that for at least three years following the merger (and longer if Mr. Tutor, two trusts controlled by him and any other affiliates of Mr. Tutor or the trusts, which we refer to collectively in this proxy statement as the Tutor Group, continue to hold at least 20% of the outstanding shares of Perini common stock), all of the shares of Perini common stock held by the Tutor Group will be voted in favor of the slate of director nominees recommended by the Perini board of directors. On all other matters subject to a vote of shareholders, the Tutor Group will be permitted to vote no more than 20% of the outstanding shares of Perini common stock in their discretion, with all shares owned by the Tutor Group in excess of 20% being voted in the same proportion as shares are voted by all other Perini shareholders (excluding the Tutor Group) on the applicable matter.

The Shareholders Agreement also includes standstill restrictions. These standstill restrictions prohibit the Tutor Group, subject to certain exceptions, from taking certain actions that could facilitate an unsolicited

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acquisition of control of Perini or from acquiring (collectively) a greater percentage of the outstanding shares of Perini than they owned (collectively) upon completion of the merger for at least three years following the merger (and longer if the Tutor Group continues to hold at least 20% of the outstanding shares of Perini common stock).

In addition, the Shareholders Agreement includes transfer restrictions with respect to the shares of Perini common stock to be received in the merger. These restrictions provide that none of the former Tutor-Saliba shareholders may sell or otherwise transfer any shares of Perini common stock to unaffiliated third parties for six months after the completion of the merger. Thereafter, until the later of the fifth anniversary of the completion of the merger and such time as the Tutor Group ceases to own 20% of the outstanding shares of Perini common stock, the Tutor Group must continue to own at least 70% of the shares of Perini common stock they received (collectively) in the merger unless otherwise approved by a majority of the Perini board of directors other than Mr. Tutor and any director designated by the shareholder representative. However, following the fifth anniversary of the completion of the merger, or the termination of Mr. Tutor's employment without Cause (as defined in the Employment Agreement), the Tutor Group may transfer shares of Perini common stock so long as the transfers are not in the form of transfers of shares in excess of 15% of the outstanding shares of Perini common stock to any person or group. In addition, all transfer restrictions under the Shareholders Agreement terminate on the date that is the later of the fifth anniversary of the completion of the merger and such time as the Tutor Group ceases to own 20% of the aggregate issued and outstanding shares of Perini common stock.

In addition, the Shareholders Agreement provides the former Tutor-Saliba shareholders with registration rights with respect to shares of Perini common stock acquired pursuant to the merger.

The Shareholders Agreement also contains certain agreements related to the composition of the Perini board of directors after the merger described below in Post-Merger Governance and Management.

**The Employment Agreement (see page 83)**

In connection with the execution of the Merger Agreement, Perini and Mr. Tutor entered into an employment agreement. We refer to this agreement as the Employment Agreement in this proxy statement. The Employment Agreement will become effective upon the completion of the merger.

Pursuant to the Employment Agreement, Mr. Tutor has agreed that he will serve as chairman and chief executive officer of Perini. The initial term of the Employment Agreement is five years (beginning on the date of completion of the merger), and it renews automatically thereafter for successive one-year periods.

**The Merger Proposals (see page 34)**

At the annual meeting, among other matters, the holders of Perini common stock will be asked to consider and vote on the following proposals related to the merger:

*Proposal 1:* A proposal to approve the issuance of 22,987,293 shares of Perini common stock in the merger contemplated by the Merger Agreement; and

*Proposal 2:* A proposal to amend our amended and restated articles of organization to increase the number of authorized shares of Perini common stock from 40 million to 75 million shares.

The actions contemplated by these proposals, even if approved by our shareholders, will not occur unless we complete the merger.

**THE MERGER WILL NOT BE COMPLETED UNLESS, AMONG OTHER THINGS, THE PERINI SHAREHOLDERS APPROVE BOTH (1) THE SHARE ISSUANCE PROPOSAL AND (2) THE**

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**ARTICLES AMENDMENT PROPOSAL. UNDER THE MERGER AGREEMENT, COMPLETION OF THE MERGER IS SUBJECT TO THE SATISFACTION (OR, IF LEGALLY PERMITTED, WAIVER) OF SPECIFIED CLOSING CONDITIONS. APPROVAL BY THE PERINI SHAREHOLDERS OF THE MERGER PROPOSALS IS SUCH A CONDITION, WHICH MAY NOT BE WAIVED BY EITHER PERINI OR TUTOR-SALIBA.**

**Required Shareholder Approvals (see page 21)**

Under NYSE rules, approval of the share issuance proposal requires the affirmative vote of the holders of a majority of Perini common stock casting votes (provided that the total votes cast on the proposal represents over 50% in interest of all Perini common stock entitled to vote on the proposal at the annual meeting). Pursuant to the Massachusetts Business Corporation Act and the terms of Perini's amended and restated articles of organization, approval of the articles amendment proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Perini common stock entitled to vote at the annual meeting.

Under the Merger Agreement, completion of the merger is subject to the satisfaction (or, if legally permitted, waiver) of specified closing conditions. Approval by Perini shareholders of both the share issuance proposal and the articles amendment proposal are two of these conditions, and neither Tutor-Saliba nor we may waive them.

On the record date, directors and executive officers of Perini and their affiliates beneficially owned or had the right to vote shares of Perini common stock representing approximately [ ]% of the shares of Perini common stock outstanding on the record date. To Perini's knowledge, directors and executive officers of Perini and their affiliates intend to vote their shares of Perini common stock in favor of the merger proposals.

**Recommendations of the Special Committee and the Perini Board of Directors (see pages 44 and 45)**

*Special Committee.* The special committee (which is referred to in this proxy statement as the Special Committee) is a committee of the Perini board of directors comprised of four independent and disinterested members of the Perini board of directors. On January 7, 2008, the Perini board of directors formed the Special Committee for the purpose of exploring and evaluating potential strategic transactions, including in particular a business combination transaction with Tutor-Saliba, as well as to discuss and negotiate the terms of any transactions with Tutor-Saliba or other parties. The Special Committee was formed because of the conflict that Mr. Tutor, as the chairman and chief executive officer of Perini as well as the chairman, president, chief executive officer and principal shareholder (through trusts controlled by him) of Tutor-Saliba, would have in any transaction between Perini and Tutor-Saliba. The Special Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Perini common stock in the merger and the amendment of the Perini amended and restated articles of organization, are advisable, fair to and in the best interests of Perini and Perini shareholders and recommended that the Perini board of directors approve the Merger Agreement and the transactions contemplated thereby.

*Board of Directors.* The Perini board of directors, acting upon the unanimous recommendation of the Special Committee, unanimously (excluding Mr. Tutor, who did not participate in the meeting) (A) determined that the Merger Agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Perini common stock in the merger and the amendment of the Perini amended and restated articles of organization, are advisable, fair to and in the best interests of Perini and Perini shareholders, (B) approved the Merger Agreement and the transaction contemplated thereby, including the merger, and (C) recommended that the Perini shareholders adopt the share issuance proposal and the articles amendment proposal, and directed that such matters be submitted for the consideration of the Perini shareholders at the annual meeting.

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***THE PERINI BOARD OF DIRECTORS RECOMMENDS THAT PERINI SHAREHOLDERS VOTE FOR THE SHARE ISSUANCE PROPOSAL AND THE ARTICLES AMENDMENT PROPOSAL.***

**Opinion of UBS Securities LLC (see page 56)**

On April 2, 2008, UBS Securities LLC delivered its oral opinion to the Special Committee, which was subsequently confirmed by delivery of UBS' written opinion, dated April 2, 2008, to the effect that, as of such date, and based upon and subject to various assumptions, matters considered and limitations described in the opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to Perini.

The full text of UBS' opinion is attached as *Annex E* to this proxy statement. **UBS' opinion was provided to the Special Committee in connection with, and for purposes of, its evaluation of the merger. UBS' opinion is directed only to the fairness, from a financial point of view, to Perini of the exchange ratio provided for in the merger. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available to Perini or Perini's underlying business decision to effect the merger. The opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger. We encourage you to read UBS' opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS.**

**Risk Factors (see page 25)**

There are a number of significant risks related to the merger, including the following:

If the public markets assign lower values to the Tutor-Saliba business than the values used in negotiating the terms of the merger, the trading price of Perini common stock may decline;

If we cannot complete the merger on the negotiated terms or at all, we will not be able to realize the anticipated benefits of the merger and the trading price of our common stock may decline;

The combined company may not realize some or all of the expected benefits of the merger that were considered in negotiating the terms of the merger;

Upon completion of the merger, Mr. Tutor will have significant influence over corporate matters of the combined company through his indirect control of approximately 43% of the outstanding common stock of the combined company;

The issuance of shares of Perini common stock in the merger will substantially reduce the percentage interests of current Perini shareholders in the earnings, voting power and market value of the combined company;

Perini will incur significant transaction, compliance, restructuring and other merger-related fees and costs;

The public resale by former Tutor-Saliba shareholders of Perini common stock received in the merger could have a negative effect on the trading price of Perini common stock following completion of the merger;

The combined company will record goodwill that could become impaired and adversely affect its operating results;

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Tutor-Saliba's excess cash flows will be dedicated to repaying the notes issued to the Tutor-Saliba shareholders in the merger and will not be generally available to Perini until the notes are repaid; and

The combined company will have continuing contractual obligations with Mr. Tutor, which may create conflicts of interest or may not be practical to enforce on Perini's behalf.

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In addition, the combined company will be subject to a number of significant risks related to the markets in which it will operate as well as other risks, including the following:

The combined business will have a substantially increased backlog and may not fully realize the revenue value of such backlog;

The growth prospects and future earnings of the combined company may be adversely affected, and the anticipated benefits of the merger may not be fully realized, if the combined company is unable to retain the services of Mr. Tutor; and

If Tutor-Saliba is unable to sustain its recent, significant rate of growth, the growth prospects and future results of the combined company are likely to be adversely affected.

**Conditions to the Completion of the Merger (see page 78)**

The completion of the merger is subject to the satisfaction or, to the extent legally permissible, the waiver of a number of conditions in the Merger Agreement, such as:

the approval by Perini shareholders of the share issuance proposal and the articles amendment proposal;

the receipt of required statutory approvals, including the expiration or termination of the waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (which condition was satisfied on May 16, 2008);

the absence of any law, judgment, injunction or other order by a governmental entity prohibiting completion of the merger and the absence of any proceeding by any governmental entity seeking such an order;

the receipt of the approval for listing by the NYSE of Perini common stock to be issued pursuant to the merger, subject to the official notice of issuance of the stock;

the articles of amendment of the Perini amended and restated articles of organization having been filed and declared effective;

compliance in all material respects by the parties with their respective obligations under the Merger Agreement;

the absence of breaches of representations and warranties in the Merger Agreement, subject to a material adverse effect qualification;

the receipt of required third-party consents under contracts or permits, subject to a material adverse effect qualification;

the receipt of an opinion of the parties' respective counsel stating that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended; and



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the absence since April 2, 2008 of any change, event or development that has had a material adverse effect on Perini or Tutor-Saliba.  
**Termination of the Merger Agreement (see page 79)**

The Merger Agreement may be terminated at any time prior to the completion of the merger in any of the following ways:

by mutual written consent of us and Tutor-Saliba;

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by either us or Tutor-Saliba (subject to certain limitations and exceptions):

if the merger has not been completed by September 30, 2008; provided that this date is automatically extended to December 31, 2008 if the conditions relating to the receipt of shareholder approval for the merger proposals, the receipt of required statutory and regulatory approvals and/or the absence of injunctions or other legal or regulatory restraints and the filing of the amendment to the articles of organization have not been satisfied but all other conditions to closing have been satisfied or waived or are then capable of being satisfied;

if a court or other governmental entity issues an order or injunction, or if there is a law in effect, preventing completion of the merger; or

if Perini shareholders fail to approve the share issuance proposal or the articles amendment proposal;

by Perini (subject to certain limitations and exceptions):

if there has been an uncured breach or failure to perform in any material respect of any representation, warranty, covenant or other agreement made by Tutor-Saliba or any of its shareholders in the Merger Agreement, and the breach or failure to perform would result in the applicable closing condition to the merger not being satisfied; or

if the Perini board of directors adversely modifies any of its recommendations with respect to the merger proposals in order to approve, adopt or enter into a contract providing for an alternative acquisition proposal for Perini;

by Tutor-Saliba (subject to certain limitations and exceptions):

if there has been an uncured breach or failure to perform in any material respect of any representation, warranty, covenant or other agreement made by Perini in the Merger Agreement, and the breach or failure to perform would result in the applicable closing condition to the merger not being satisfied; or

if the Perini board of directors adversely modifies any of its recommendations with respect to the merger proposals.

**Restrictions on Alternative Transactions (see page 70)**

The Merger Agreement contains restrictions on the ability of each of Tutor-Saliba and Perini to solicit or engage in discussions or negotiations with a third party with respect to a proposal to acquire a significant interest in the applicable company.

Notwithstanding these restrictions, the Merger Agreement provides that if Perini receives an unsolicited acquisition proposal from a third party prior to the approval of the merger proposals by the Perini shareholders, it may under limited circumstances furnish nonpublic information to that third party, engage in negotiations regarding the proposal with that third party, change its recommendation in favor of the merger proposals and ultimately terminate the Merger Agreement to commit itself to the transaction being proposed by the third party (subject to payment of the termination fee and expense reimbursement discussed below).

**Termination Fees/Reimbursement of Expenses (see page 80)**

If the Merger Agreement is terminated due to the failure to receive Perini shareholder approval of the merger proposals or following a change in the recommendation of the Perini board of directors in support of the merger proposals, we will be required to pay a termination fee of \$30 million to Tutor-Saliba under certain circumstances if Perini enters into an agreement for or consummates an alternative transaction within 12

months following the termination of the Merger Agreement.

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In addition, we have agreed to reimburse Tutor-Saliba for up to \$5 million of Tutor-Saliba's reasonable, documented, out-of-pocket expenses following the termination of the Merger Agreement due to the failure to receive Perini shareholder approval of the merger proposals or following a change in the recommendation of the Perini board of directors in support of the merger proposals.

### **Amendment to Perini Articles of Organization (see page 63)**

In connection with the approval of the merger, the Perini board of directors has adopted, subject to shareholder approval and subject to the completion of the merger, a resolution recommending that Perini's amended and restated articles of organization be amended to increase the number of authorized shares of Perini common stock to 75 million from 40 million shares. A copy of the proposed amendment to our amended and restated articles of organization is attached as *Annex F* to this proxy statement.

The increase in the number of authorized shares of common stock is required to provide sufficient common stock for issuance of common stock to the Tutor-Saliba shareholders in connection with the merger and to have adequate available authorized but unissued shares of capital stock following the merger.

### **Post-Merger Governance and Management (see page 85)**

Mr. Tutor will continue to serve as the chairman of the Perini board of directors, a director of Perini and the chief executive officer of Perini following the completion of the merger.

The Shareholders Agreement provides that, following completion of the merger, the Perini board of directors will consist of up to eleven members, a majority of which will continue to be independent. Mr. Tutor, in his role as shareholder representative, will have the right pursuant to the Shareholders Agreement to designate up to two persons as nominees for election to the Perini board of directors, as long as the Tutor Group continues to own at least 22.5% of the outstanding shares of Perini common stock. Mr. Tutor, in his role as shareholder representative, will have the right pursuant to the Shareholders Agreement to designate only one nominee if the Tutor Group owns less than 22.5%, but at least 11.25% of the outstanding shares of Perini common stock. Mr. Tutor has designated C.L. Max Nikias as one of the shareholder representative's board designees, and he will be appointed as a new member of the Perini board of directors upon completion of the merger. As of the date of this proxy statement, Mr. Tutor has not elected to exercise his right to nominate a second director for election, although he has not waived the right to do so in the future. In addition, for so long as Mr. Tutor serves as the chief executive officer of Perini, he will be nominated for election to the Perini board of directors.

### **NYSE Listing (see page 64)**

It is a condition to the merger that the shares of Perini common stock to be issued in the merger be approved for listing on the NYSE, subject to official notice of issuance. Shares of Perini common stock will continue to be traded on the NYSE under the symbol *PCR* immediately following the completion of the merger.

### **Appraisal Rights (see page 64)**

Holders of Perini common stock do not have dissenters or appraisal rights under Massachusetts law in connection with the merger.

### **Material United States Federal Income Tax Consequences to Existing Perini Shareholders (see page 62)**

As a condition to the merger, Perini will receive the opinion of its counsel, Kirkland & Ellis LLP, and Tutor-Saliba will receive the opinion of its counsel, Latham & Watkins LLP, each to the effect that the merger

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will be treated as a tax-free reorganization within the meaning of Section 368(a) of the United States Internal Revenue Code. Perini shareholders generally will not be subject to any United States federal income tax consequence as a result of the merger.

### **Anticipated Accounting Treatment (see page 62)**

The merger will be accounted for using the purchase method of accounting in accordance with accounting principles generally accepted in the United States under Statement of Financial Accounting Standards No. 141, *Business Combinations*. Perini will be the acquiring entity for financial reporting purposes and Tutor-Saliba will be treated as the acquired company for financial reporting purposes, and the assets and liabilities of Tutor-Saliba will be recorded, as of the completion of the merger, based on their estimated fair values and added to those of Perini.

### **Additional Interest of Directors, Executive Officers and Certain Beneficial Owners (see page 65)**

In considering the Perini board of directors' recommendation to approve the merger proposals, our shareholders should be aware that Mr. Tutor has interests in the transaction that are different from, or in addition to, the interests of Perini shareholders generally. These additional interests arising from the merger, which create an actual conflict of interest for Mr. Tutor, include:

Mr. Tutor, through two trusts that he controls (which own 96% of the shares of Tutor-Saliba common stock), and directly or through one or more entities that he owns, have received or will receive pre-closing distributions from Tutor-Saliba and shares of Perini common stock in the merger with an aggregate net value of approximately \$998.9 million. This amount is comprised of the pre-closing distributions made and to be made by Tutor-Saliba discussed below (with an aggregate net value to Mr. Tutor of approximately \$153.3 million) and 96% of the shares of Perini common stock issued to the former Tutor-Saliba shareholders in the merger (with a value of approximately \$845.6 million based on the closing price per share of Perini common stock of \$38.25 on April 2, 2008);

in the Merger Agreement, Perini has agreed to cooperate with Tutor-Saliba to obtain consents and seek amendments to certain guaranties, including guarantees of surety bonds and bank agreements, issued by Mr. Tutor in his personal capacity on behalf of Tutor-Saliba to remove Mr. Tutor as an obligor, guarantor or surety, including approximately \$115 million in guarantees to banking institutions; and

Mr. Tutor's right to designate up to two nominees for election to the Perini board of directors pursuant to the Shareholders Agreement following completion of the merger.

In addition, in connection with the Merger Agreement, Mr. Tutor entered into the Employment Agreement, which will become effective upon completion of the merger. The terms and benefits of the Employment Agreement are summarized in detail in The Employment Agreement beginning on page 83. The terms on which Mr. Tutor would be employed and compensated by the combined company create an actual conflict of interest for Mr. Tutor.

The Special Committee and the Perini board of directors were aware of these conflicts of interest and considered them, among other matters, in reaching their decisions, as applicable, to approve the Merger Agreement and the merger and to recommend that our shareholders vote in favor of adopting the merger proposals.

As a result of these additional interests, we expect Mr. Tutor would be more likely to recommend the approval of the merger proposals than if these additional interests did not exist. For this reason, Mr. Tutor was not part of the Special Committee that considered and ultimately negotiated the Merger Agreement on behalf of Perini and recommended it and the merger to the Perini board of directors, nor did Mr. Tutor negotiate the merger or any of the related transactions or agreements on behalf of Perini or take part in the deliberations or vote of the Perini board of directors in any matter relating to the merger or any of the related agreements.

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In connection with the merger, none of our directors or officers will receive any transaction bonuses and none of their existing equity awards will vest or become payable on an accelerated basis, and no director or officer has any change of control arrangement under an employment agreement or any pension or other benefit plan that would entitle such director or officer to additional compensation or other benefits following completion of the merger.

**Pre-Closing Distribution of Property (see page 66)**

In connection with the completion of the merger, Tutor-Saliba has distributed or will distribute to its shareholders (and Perini will not acquire in the merger) the following assets:

a residence in Ketchum, Idaho, with a market value of \$3.5 million;

cash in the amount of \$15 million for tax payments as described below; and

up to \$120 million of dividends in a combination of cash and notes of which \$10 million in cash has been distributed (with any notes being entitled to prepayment out of the excess cash flow of Tutor-Saliba).

The \$120 million of dividends noted above represents a return of invested capital, earnings and profits from years prior to Tutor-Saliba's S election and amounts of its net income that have been or will be subject to taxes to its shareholders in respect of periods prior to December 31, 2007, less distributions previously made to its shareholders with respect to such net income.

Because Tutor-Saliba is a subchapter S corporation, its taxable income is attributed to the shareholders of Tutor-Saliba for federal income tax purposes meaning that its shareholders are responsible for paying the income taxes on their proportionate share of the income. The Merger Agreement permits Tutor-Saliba to make cash distributions to its shareholders that are intended to cover their income tax obligations for Tutor-Saliba's income from January 1, 2008 through the completion of the merger. The combined company will retain such income. In April 2008, Tutor-Saliba distributed approximately \$11.6 million of cash to its shareholders in respect of their April 2008 income tax payment obligations arising from Tutor-Saliba's operations. Shortly before completion of the merger, the balance of the permissible tax distributions will be determined, and Tutor-Saliba will make additional cash distributions to its shareholders that are intended to cover their income tax obligations not covered by the April tax distribution.

The Merger Agreement acknowledges that Perini will not acquire in the merger Tutor-Saliba's previously owned interests in a high-rise office building in San Pedro, California, commonly known as Pacific Place. Tutor-Saliba and an entity owned by Mr. Tutor completed an exchange transaction that resulted in Mr. Tutor's entity receiving a distribution of Tutor-Saliba's interests in Pacific Place and related assets and liabilities, with an aggregate net value (in excess of the assets received by Tutor-Saliba in the transaction) of \$21.3 million, as described more fully in Recent Developments and Expected 2008 Events - Distribution of Commercial Real Estate; Distribution of Residential Real Estate and in Note 14 of the Audited Financial Statements of Tutor-Saliba attached as *Annex H* to this proxy statement.

These pre-closing distributions were taken into account in determining the merger consideration, as the distributed assets were not deemed assets to be acquired by Perini in the merger.

**Dividend Notes (see page 74)**

At the request of Perini, the Tutor-Saliba shareholders have agreed that a portion of the cash that Tutor-Saliba would otherwise have distributed as dividends to its shareholders prior to the merger as noted above will be retained by Tutor-Saliba following the merger. These amounts will be retained by Tutor-Saliba by its issuance of notes as dividends in lieu of the payment of cash dividends, thereby in essence loaning the cash back to the combined company in order to support the surety requirements of the combined company.

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Accordingly, immediately prior to the completion of the merger, Tutor-Saliba will declare and distribute to the former Tutor-Saliba shareholders a dividend payable in the form of one or more notes. The maximum principal amount of the notes is the amount by which \$120 million exceeds the aggregate amount of the cash dividends declared by Tutor-Saliba between the date of the Merger Agreement and the closing, less amounts of indebtedness to be repaid to Tutor-Saliba prior to the effective time of the merger by the former Tutor-Saliba shareholders which have not been repaid by the date of the issuance of the note. As reflected in the pro forma financial statements appearing in Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 108, Perini estimates that Tutor-Saliba will issue notes with an aggregate principal amount equal to approximately \$55 million prior to the completion of the merger. Those notes will remain outstanding following the completion of the merger. The notes provide that the unpaid principal balance of the notes and all accrued and unpaid interest thereupon will become due and payable in full on June 30, 2012. Tutor-Saliba may prepay any amounts outstanding under the notes at any time. In addition, Tutor-Saliba will be required to prepay the notes with 100% of excess cash flow of Tutor-Saliba (as described in the note) for the preceding fiscal year (or, for the year in which the closing of the merger occurs, the partial fiscal year from the closing through the end of such fiscal year) within 90 days of the end of each fiscal year until the principal and interest of the notes has been repaid.

## **Selected Historical Data**

### *Perini Selected Historical Financial Information*

The selected historical financial data set forth below is derived in part from and should be read in conjunction with Perini's consolidated financial statements, the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included in previously filed annual reports on Form 10-K of Perini. The consolidated statement of income data for each of the years ended December 31, 2003, 2004, 2005, 2006 and 2007 and the consolidated balance sheet data as of December 31, 2003, 2004, 2005, 2006 and 2007 were derived from Perini's audited consolidated financial statements, which are included in previously filed annual reports on Form 10-K of Perini. The consolidated statement of income data for the three-month periods ended March 31, 2007 and 2008 and the consolidated balance sheet data as of March 31, 2007 and 2008 were derived from Perini's unaudited consolidated condensed financial statements included in the previously filed quarterly report on Form 10-Q of Perini for the period ended March 31, 2008. This information is unaudited but, in Perini management's opinion, has been prepared on the same basis as the audited consolidated financial statements and related notes in previously filed annual reports on Form 10-K of Perini, and includes all adjustments, consisting only of normal recurring adjustments, that Perini's management considers necessary for a fair presentation of the information for the periods presented. Historical results are not necessarily indicative of results to be expected for future periods.

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	Three Months Ended March 31,			Year Ended December 31,			
	2008	2007	2007	2006	2005 (1)	2004	2003
<b>Consolidated statement of income data:</b>							
Revenues:							
Building	\$ 1,163,020	\$ 886,855	\$ 4,248,814	\$ 2,515,051	\$ 1,181,103	\$ 1,298,771	\$ 898,254
Civil	60,156	57,103	234,778	281,137	275,584	138,095	176,877
Management Services	33,160	43,398	144,766	246,651	276,790	405,449	298,972
Total	1,256,336	987,356	4,628,358	3,042,839	1,733,477	1,842,315	1,374,103
Cost of Operations	1,189,774	929,459	4,379,464	2,873,444	1,663,773	1,750,549	1,304,138
Gross Profit	66,562	57,897	248,894	169,395	69,704	91,766	69,965
G&A Expense	27,599	25,157	107,913	98,516	61,751	43,049	39,762
Income From Construction							
Operations	38,963	32,740	140,981	70,879	7,953	48,717	30,203
Other Income (Expense), Net	1,505	2,356	15,361	2,581	971	(3,087)	1,722
Interest Expense	(355)	(690)	(1,947)	(3,771)	(2,003)	(704)	(1,003)
Income Before Income Taxes	40,113	34,406	154,395	69,689	6,921	44,926	30,922
(Provision) Credit for Income Taxes	(14,960)	(11,753)	(57,281)	(28,153)	(2,872)	(8,919)	13,096
<b>Net Income</b>	<b>\$ 25,153</b>	<b>\$ 22,653</b>	<b>\$ 97,114</b>	<b>\$ 41,536</b>	<b>\$ 4,049(3)</b>	<b>\$ 36,007</b>	<b>\$ 44,018</b>
Income Available for Common Stockholders (2)							
	\$ 25,153	\$ 22,653	\$ 97,114	\$ 41,117	\$ 5,330	\$ 34,819	\$ 49,619
Per Share of Common Stock:							
Basic Earnings	\$ 0.93	\$ 0.85	\$ 3.62	\$ 1.56	\$ 0.21	\$ 1.47	\$ 2.18
Diluted Earnings	\$ 0.91	\$ 0.84	\$ 3.54	\$ 1.54	\$ 0.20	\$ 1.39	\$ 2.10
Weighted Average Common Shares Outstanding:							
Basic	27,145	26,638	26,819	26,308	25,518	23,724	22,763
Diluted	27,653	27,120	27,419	26,758	26,150	25,061	23,583
<b>Consolidated balance sheet data:</b>							
Working Capital	\$ 297,022	\$ 203,443	\$ 293,521	\$ 193,952	\$ 153,335	\$ 178,029	\$ 125,397
Current Ratio	1.23x	1.22x	1.24x	1.22x	1.23x	1.41x	1.31x
Long-term Debt, less current maturities							
	\$ 13,635	\$ 16,414	\$ 13,358	\$ 34,135	\$ 39,969	\$ 8,608	\$ 8,522
Stockholders Equity	\$ 396,354	\$ 271,292	\$ 368,334	\$ 243,859	\$ 183,175	\$ 174,034	\$ 120,560
Ratio of Long-term Debt to Equity	.03x	.06x	.04x	.14x	.22x	.05x	.07x
Total Assets	\$ 1,730,179	\$ 1,268,675	\$ 1,654,115	\$ 1,195,992	\$ 915,256	\$ 654,265	\$ 565,443
<b>Other data:</b>							
Backlog at end of period (4)	\$ 7,206,239	\$ 8,561,590	\$ 7,567,665	\$ 8,451,381	\$ 7,897,784	\$ 1,151,475	\$ 1,666,464



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New Business Awarded (5)	\$ 894,909	\$ 1,097,565	\$ 3,744,642	\$ 3,596,436	\$ 8,479,786	\$ 1,327,326	\$ 2,050,392
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- (1) Includes the results of Cherry Hill acquired effective January 1, 2005 and Rudolph and Sletten acquired October 3, 2005.
- (2) Income available for common stockholders includes adjustments to net income for (a) accrued dividends on our \$21.25 Preferred Stock, or \$2.125 Depositary Shares, (b) the reversal of previously accrued and unpaid dividends in the amount of approximately \$7.3 million applicable to 440,627 of the \$2.125 Depositary Shares purchased and retired by us in June 2003, (c) the reversal of previously accrued and unpaid dividends in the amount of approximately \$2.3 million applicable to 374,185 of the \$2.125 Depositary Shares purchased and retired by us in November 2005, and (d) the \$0.3 million excess of fair value over carrying value upon redemption of the remaining outstanding \$2.125 Depositary Shares in May 2006.

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- (3) Includes a \$23.6 million after-tax charge related to an adverse judgment received in the WMATA matter.
- (4) A construction project is included in our backlog at such time as a contract is awarded or a letter of commitment is obtained and adequate construction funding is in place. Backlog is not a measure defined in accounting principles generally accepted in the United States of America, or GAAP, and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.
- (5) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (4) above plus or minus subsequent changes to the estimated total contract price of existing contracts. Management uses new business awarded to assist in forecasting future results.

*Tutor-Saliba Selected Historical Financial Information*

The selected historical financial data set forth below is derived in part from and should be read in conjunction with Tutor-Saliba's consolidated financial statements, the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this proxy statement. The consolidated statement of income data for each of the years ended December 31, 2005, 2006 and 2007 and the consolidated balance sheet data as of December 31, 2006 and 2007 were derived from Tutor-Saliba's audited consolidated financial statements appearing in the annexes to this proxy statement. The consolidated statement of income data for the three-month periods ended March 31, 2007 and 2008 and the consolidated balance sheet data as of March 31, 2007 and 2008 were derived from Tutor-Saliba's unaudited consolidated financial statements appearing in the annexes to this proxy statement. This information is unaudited but, in Tutor-Saliba management's opinion, has been prepared on the same basis as the audited consolidated financial statements and related notes included elsewhere in this proxy statement and includes all adjustments, consisting only of normal recurring adjustments, that Tutor-Saliba's management considers necessary for a fair presentation of the information for the periods presented. The consolidated statement of income data for the years ended December 31, 2003 and 2004 and the consolidated balance sheet data as of December 31, 2003, 2004 and 2005 were derived from Tutor-Saliba's audited consolidated financial statements not included herein. Historical results are not necessarily indicative of results to be expected for future periods.

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	Three Months Ended		Year Ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
			(in thousands, except share data)				
<b>Consolidated statement of income data:</b>							
Revenues:							
Domestic civil	\$ 34,196	\$ 56,135	\$ 174,277	\$ 141,875	\$ 117,046	\$ 194,082	\$ 208,543
Domestic building	341,470	160,346	896,124	320,403	228,905	250,836	204,275
International	19,297	15,579	81,423	52,179	41,639	71,118	66,126
Total	394,963	232,060	1,151,824	514,457	387,590	516,036	478,944
Cost of revenues	360,359	211,404	1,063,603	485,434	371,334	495,103	448,338
Gross profit	34,604	20,656	88,221	29,023	16,256	20,933	30,606
Gain on sale of property and equipment	(149)	(50)	(446)	(454)	(7,524)		
Cost of contract litigation settlement					14,652(4)		
General and administrative expenses	13,557	7,754	36,237	26,823	26,352	22,739	21,702
Income (loss) from operations	21,196	12,952	52,430	2,654	(17,224)	(1,806)	8,904
Other income, net (1)	1,263	12,142	99,206	11,479	40,504	17,114	11,593
Interest expense	(779)	(1,005)	(4,197)	(5,257)	(3,414)	(3,750)	(4,519)
Income before minority interest and income taxes	21,680	24,089	147,439	8,876	19,866	11,558	15,978
Provision for income taxes (3)	(619)	(797)	(4,399)	(1,663)	(849)	(309)	(2,166)
Income before minority interest	21,061	23,292	143,040	7,213	19,017	11,249	13,812
Minority interest		(20)	(111)	(40)	(16)	(204)	(29)
Income from continuing operations	21,061	23,272	142,929	7,173	19,001	11,045	13,783
Income (loss) from discontinued operations, net of taxes (2)		(39)	226	(36)	1,407	11,803	(79)
Net income	\$ 21,061	\$ 23,233	\$ 143,155	\$ 7,137	\$ 20,408	\$ 22,848	\$ 13,704
Income per share from continuing operations	\$ 23.40	\$ 25.85	\$ 158.80	\$ 7.97	\$ 21.11	\$ 12.27	\$ 15.31
Income (loss) per share from discontinued operations, net of taxes		(0.04)	0.25	(0.04)	1.56	13.11	(0.09)
Net income per share	\$ 23.40	\$ 25.81	\$ 159.05	\$ 7.93	\$ 22.67	\$ 25.38	\$ 15.22
Weighted average number of shares	900,043	900,043	900,043	900,043	900,043	900,043	900,043

- (1) Primarily reflects unrealized holding gains and gains on sales of marketable securities.
- (2) Reflects the results of operations associated with equipment and real estate operations unrelated to construction activities, including a gain on sale of equipment of \$11.8 million in 2004.
- (3) Since January 1, 1996, Tutor-Saliba has been a subchapter S corporation and has been exempt from paying federal income taxes. In addition, from and after the day Tutor-Saliba elected or was otherwise treated as a subchapter S corporation for state tax purposes, Tutor-Saliba has paid certain state income taxes at a reduced rate.
- (4) Represents charge recorded related to settlement of contract litigation on the San Francisco International Airport project.

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	March 31,		December 31,				
	2008	2007	2007	2006	2005	2004	2003
	(in thousands)						
<b>Consolidated balance sheet data:</b>							
Working capital	\$ 96,311	\$ 151,352	\$ 147,541	\$ 126,885	\$ 133,659	\$ 137,381	\$ 47,305
Current ratio	1.26x	1.61x	1.45x	1.60x	1.80x	1.94x	1.26x
Long term debt, less current maturities	26,905	60,038	53,617	60,221	38,456	50,398	61,582
Shareholders' equity	184,515	188,096	211,630	161,713	164,939	159,948	131,740
Ratio of long-term debt to equity	.15x	.32x	.25x	.37x	.23x	.32x	.47x
Total assets	603,980	503,741	601,493	441,757	382,748	364,956	379,476
<b>Other data:</b>							
Backlog at end of period (1)	\$ 1,309,996	\$ 2,151,760	\$ 1,591,522	\$ 2,282,318	\$ 508,634	\$ 500,231	\$ 741,293
New business awarded (2)	\$ 113,437	\$ 101,502	\$ 461,028	\$ 2,288,091	\$ 396,043	\$ 274,974	\$ 557,007

- (1) A construction project is included in our backlog at such time as a contract is awarded or a letter of commitment is obtained and adequate construction funding is in place. Backlog is not a measure defined in accounting principles generally accepted in the United States of America, or GAAP, and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.
- (2) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (1) above plus or minus subsequent changes to the estimated total contract price of existing contracts. Management uses new business awarded to assist in forecasting future results.

**Selected Unaudited Pro Forma Condensed Combined Financial Information**

The merger will be accounted for by using the purchase method of accounting in accordance with GAAP. The tangible and intangible assets and liabilities of Tutor-Saliba will be recorded as of the closing date of the merger, at their respective fair values, and assumed by and added to those of Perini. For a detailed description of the purchase accounting method, please see "The Merger - Anticipated Accounting Treatment" beginning on page 62.

The following selected unaudited pro forma condensed combined balance sheet information as of March 31, 2008 and the selected unaudited pro forma condensed combined statements of income information for the year ended December 31, 2007 and the three months ended March 31, 2008 are based on the separate historical consolidated financial statements of Perini and Tutor-Saliba, and reflect the merger and related events and apply the assumptions and adjustments described in the notes to the unaudited pro forma condensed combined financial statements. The pro forma adjustments are more fully described in the notes to the unaudited pro forma condensed combined financial statements beginning on page 108 of this proxy statement. The selected unaudited pro forma condensed combined balance sheet as of March 31, 2008 reflects the merger and related events as if they had been consummated on March 31, 2008. The selected unaudited pro forma condensed combined statements of income for the year ended December 31, 2007 and the three months ended March 31, 2008 reflect the merger and related events as if they had been consummated on January 1, 2007, the beginning of Perini's 2007 fiscal year.

The pro forma adjustments are based upon available information and assumptions that the managements of Perini and Tutor-Saliba believe reasonably reflect the merger. The selected unaudited pro forma condensed combined financial statements do not include the effects of the costs associated with any restructuring or

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integration activities resulting from the transaction. In addition, the selected unaudited pro forma condensed combined financial statements do not include the realization of any cost savings from operating efficiencies or synergies resulting from the transaction, nor do they include any potential incremental revenues and earnings that may be achieved with the combined capabilities of the companies. The final purchase price allocation, which will be determined subsequent to the closing of the merger, and its effect on results of operations may differ significantly from the pro forma amounts included in the selected unaudited pro forma condensed combined financial statements. These amounts represent the managements best estimate as of the date of this proxy statement. We present the unaudited pro forma condensed combined financial statements for informational purposes only. The selected pro forma condensed combined financial statements are not necessarily indicative of what our financial position or results of operations actually would have been had we completed the merger as of the dates indicated. In addition, the selected unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

The following selected unaudited pro forma condensed combined financial information (a) has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and the accompanying notes included in this proxy statement beginning on page 108 and (b) should be read in conjunction with the consolidated financial statements of Perini and Tutor-Saliba and other information filed by Perini with the SEC and incorporated by reference in this proxy statement. Please see [Where You Can Find Additional Information](#) beginning on page 146.

	<b>Three Months</b>	
	<b>Ended Mar. 31, 2008</b>	<b>Year Ended Dec. 31, 2007</b>
	<b>(In thousands, except per share data)</b>	
<b>PRO FORMA STATEMENTS OF INCOME DATA:</b>		
Revenues	\$ 1,640,186	\$ 5,875,295
Cost of Operations	1,540,677	5,510,638
Gross Profit	99,509	364,657
G&A Expense	40,718	159,495
Income From Construction Operations	58,791	205,162
Other Income (Expense), Net	2,768	114,630(1)
Interest Expense	(1,822)	(8,962)
Income Before Minority Interest and Income Taxes	59,737	310,830
Provision for Income Taxes	(22,339)	(116,100)
Income Before Minority Interest	37,398	194,730
Minority Interest		(111)
Net Income	\$ 37,398	\$ 194,619
Per Share of Common Stock:		
Basic Earnings	\$ 0.75	\$ 3.91
Diluted Earnings	\$ 0.74	\$ 3.86(2)
Weighted Average Common shares Outstanding:		
Basic	50,132	49,806
Diluted	50,640	50,406

(1) Includes \$94,105 non-recurring gain on sale of marketable securities.

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- (2) Pro forma diluted earnings per common share excluding the non-recurring gain on sale of marketable securities (see Note (1) above) is \$2.70.

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**Closing Price of Perini Common Stock**

The following table includes the closing prices per share of Perini common stock as reported on the NYSE Composite Transaction Tape on:

April 2, 2008, the date of the public announcement of the execution of the Merger Agreement after the end of the full trading day, and

[ ], 2008, the most recent practicable date prior to the mailing of this proxy statement to the Perini shareholders.

	<b>Perini Common Stock Closing Price Per Share</b>
April 2, 2008	\$ 38.25
[ ], 2008	\$ [ ]

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**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

We have made forward-looking statements in this proxy statement, and in documents that are incorporated by reference in this proxy statement, that are subject to risks and uncertainties. These statements are based on the current beliefs and assumptions of our management. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations of Perini, Tutor-Saliba or the combined company. Forward-looking statements include the information in this proxy statement regarding:

management forecasts;

regulatory matters;

financial projections and estimates;

efficiencies/cost avoidances;

cost savings;

income and margins;

earnings per share;

growth;

economies of scale;

combined operations;

the economy;

future economic performance;

conditions to, and the timetable for, completing the merger;

future acquisitions and dispositions;



litigation;

potential and contingent liabilities;

management's plans;

business portfolios;

taxes; and

merger and integration-related expenses.

These statements may be preceded by, followed by or otherwise include the words may, will, should, could, would, potential, possible, expects, anticipates, intends, plans, estimates, hopes or similar expressions. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed in Risk Factors beginning on page 25 and elsewhere in this proxy statement, and in the documents which are incorporated by reference in this proxy statement, could affect the future results of Perini, and of the combined company after the completion of the merger, and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

the ability of Perini and Tutor-Saliba to satisfy all conditions precedent to the completion of the merger;

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the ability of Perini and Tutor-Saliba to integrate their operations successfully;

the timing of the integration of Perini and Tutor-Saliba necessary to achieve enhanced earnings or realize cost savings;

the retention of existing, and continued attraction of additional customers and employees;

an unsolicited offer by another company to acquire the assets or capital stock of Perini;

unexpected costs or unexpected liabilities related to the merger, or the effects of purchase accounting that may be different from our current expectations;

the effects of uncertainty surrounding the merger that may cause the business of Perini to suffer;

other economic, business and competitive factors;

the costs and other effects of legal proceedings;

the impact on the trading price of Perini common stock of resales in the public market of shares of Perini common stock received by Tutor-Saliba shareholders in the merger;

the ability of Mr. Tutor to exert significant influence over corporate decisions as a result of his ownership of Perini common stock following the merger, his position as chairman and chief executive officer of the combined company and his right to designate up to two nominees for election as directors of the combined company;

changes in accounting policies, practices or their interpretations; and

the factors described in Perini's reports filed with the SEC.

Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Shareholders are cautioned not to place undue reliance on such statements, which speak only as of the date of this proxy statement or the date of any document incorporated by reference.

All written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement or incorporated by reference in this proxy statement and attributable to Perini or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, Perini undertakes no obligation to release any revisions or updates to such forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events.

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**ANNUAL MEETING OF THE SHAREHOLDERS  
OF PERINI CORPORATION**

This proxy statement is furnished in connection with the solicitation of proxies by the Perini board of directors for use at our annual meeting of shareholders to be held on [ ], 2008, and at any adjournment or postponements thereof.

**Date, Time and Place**

The annual meeting of shareholders will be held at the [ ], on [ ], 2008, at [ ], local time.

**Proposals to be Considered at the Annual Meeting**

At the annual meeting, and any adjournment or postponement of the annual meeting, Perini shareholders will be asked to consider and vote upon the following proposals:

1. a proposal to approve the issuance of 22,987,293 shares of Perini common stock in the merger contemplated by the Merger Agreement;
2. a proposal to amend our amended and restated articles of organization to increase the number of authorized shares of Perini common stock from 40 million to 75 million shares;
3. the election of four (4) Class III Directors, to hold office for a three-year term, expiring at our 2011 annual meeting of shareholders and until their successors are duly elected and qualified;
4. a proposal to ratify the selection of Deloitte & Touche LLP, independent registered public accountants, as auditors of Perini for the fiscal year ending December 31, 2008;
5. a proposal to amend our 2004 Stock Option and Incentive Plan to increase the number of shares authorized for issuance under the plan from 3 million to 5.5 million;
6. a proposal to approve the adjournment or postponement of the annual meeting if necessary to solicit additional proxies or as otherwise necessary; and
7. such other business as may properly come before the meeting.

**Shareholders Entitled to Vote**

Only our shareholders of record at the close of business on [ ], 2008, also referred to in this proxy statement as the record date, will be entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement thereof. Notwithstanding the record date specified above, our stock transfer books will not be closed and shares may be transferred subsequent to the record date. However, all votes must be cast in the names of shareholders of record on the record date.

On the record date, there were [ ] shares of Perini common stock issued and outstanding held by approximately [ ] shareholders of record.

**Shareholder Votes Required**

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*Proposal 1:* Approval of the share issuance proposal requires the affirmative vote of the holders of a majority of Perini common stock casting votes at the annual meeting (provided that the total votes cast on the proposal represent over 50% of the outstanding shares of Perini common stock entitled to vote on the proposal at the annual meeting). **The approval of Proposal 1 is a condition to the merger, and thus a vote against this proposal effectively will be a vote against the merger.**

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*Proposal 2:* Approval of the articles amendment proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Perini common stock entitled to vote at the annual meeting. **The approval of Proposal 2 is a condition to the merger, and thus a vote against this proposal effectively will be a vote against the merger.**

*Proposal 3:* Election of each of the nominees for director requires the affirmative vote of a plurality of the votes cast at the annual meeting. **You may vote FOR any or all director nominees and/or WITHHOLD your vote from any or all of the director nominees.**

*Proposal 4:* Ratification of the selection of Deloitte & Touche, LLP as our independent auditors for 2008 requires the affirmative vote of a majority of the votes cast on the proposal at the annual meeting.

*Proposal 5:* Approval of the plan amendment proposal requires the affirmative vote of the holders of a majority of Perini common stock casting votes at the annual meeting (provided that the total votes cast on the proposal represent over 50% of the outstanding shares of Perini common stock entitled to vote on the proposal at the annual meeting).

*Proposal 6:* Approval of a proposal to adjourn or postpone the annual meeting requires the affirmative vote of the holders of a majority of the votes cast on the proposal at the annual meeting, whether or not a quorum is present.

## **Quorum**

The presence, in person or by proxy, of outstanding shares of Perini common stock representing a majority of the shares entitled to vote is necessary to constitute a quorum for the transaction of business at the annual meeting. Shares that reflect abstentions or broker non-votes will be counted for purposes of determining whether a quorum is present for the transaction of business at the annual meeting. Stock owned directly or indirectly by Perini, if any, is not considered outstanding for purposes of determining a quorum.

## **Abstentions and Broker Non-Votes**

An abstention occurs when a shareholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. For purposes of establishing a quorum, abstentions in person and proxies received but marked as abstentions as to any or all matters to be voted on count as present.

Abstentions with respect to the articles amendment proposal (Proposal 2) will have the same effect as a vote against the proposal. Abstentions with respect to the share issuance proposal (Proposal 1) or the plan amendment proposal (Proposal 5) will have no effect on the outcome of the proposal, except that it will be more difficult for Perini to ensure that the total votes cast on each of the share issuance proposal and the plan amendment proposal represent over 50% in interest of all Perini common stock entitled to vote on each such proposal, which is necessary for the proposals to be approved. Abstentions have no effect on the election of directors (Proposal 3), the ratification of auditors proposal (Proposal 4) or the postponement or adjournment proposal (Proposal 6).

If your shares are held in street name, your brokerage firm, under certain circumstances, may vote your shares for you if you do not return your proxy. Brokerage firms have authority under the rules of the NYSE to vote customers' unvoted shares on certain routine matters. If you do not give a proxy to your brokerage firm to vote your shares, your brokerage firm may either vote your shares on routine matters or leave your shares unvoted. The election of directors (Proposal 3), the ratification of Deloitte & Touche LLP as the Perini's independent auditors for the fiscal year ending December 31, 2008 (Proposal 4) and the proposal to adjourn or postpone the annual meeting (Proposal 6) are considered routine matters, therefore, your brokerage firm may

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vote your shares for you if you do not return your proxy. The share issuance proposal (Proposal 1), the articles amendment proposal (Proposal 2) and the plan amendment proposal (Proposal 5) are not considered routine matters, therefore, your brokerage firm may not vote your shares for you if you do not return your proxy to your brokerage firm. These votes are commonly referred to as broker non-votes. Broker non-votes will not be counted as having been voted on the proposal.

Broker non-votes with respect to the articles amendment proposal (Proposal 2) will have the same effect as a vote against the proposal. Broker non-votes with respect to the share issuance proposal (Proposal 1) or the plan amendment proposal (Proposal 5) will have no effect on the outcome of the proposal, except that it will be more difficult for Perini to ensure that the total votes cast on each of the share issuance proposal and the plan amendment proposal represent over 50% in interest of all Perini common stock entitled to vote on each such proposal, which is necessary for the proposals to be approved.

Regardless of whether you are a record holder of your shares or hold your shares in street name, we encourage you to provide voting instructions to your brokerage firm by returning your completed proxy. This ensures your shares will be voted at the meeting according to your instructions. Record holders may complete the proxy card enclosed with this proxy statement and return it to us. If your shares are held in street name, you should receive directions from your brokerage firm about how to submit your proxy to them at the time you receive this proxy statement.

## **Proxy Solicitation**

In addition to solicitation by mail, our directors, officers and employees may solicit proxies from Perini shareholders by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. We will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

Perini has retained Innisfree M&A Incorporated, a proxy solicitation firm, to assist it in the solicitation of proxies for the annual meeting. Perini will pay Innisfree a fee of \$50,000, and an additional fee of \$25,000 if shareholders approve the merger proposals, for its services. In addition, Perini will pay Innisfree additional fees depending on the extent of additional services requested by Perini and will reimburse Innisfree for expenses Innisfree incurs in connection with its engagement by Perini.

## **Revocation of Proxies**

You may revoke your proxy at any time before the vote is taken at the annual meeting. To revoke your proxy, you must either advise our Corporate Secretary in writing, submit a proxy by telephone, via the Internet or mail dated after the date of the proxy you wish to revoke or attend the annual meeting and vote your shares in person. Attendance at the annual meeting will not by itself constitute revocation of a proxy.

Please note that if you have instructed your broker to vote your shares, the options for revoking your proxy described above do not apply and instead you must follow the directions provided by your broker to change those instructions.

## **Voting**

Perini shareholders of record and many shareholders who hold their shares through a broker or bank will have the option to submit their proxies or voting instructions via the Internet or by telephone. There are separate arrangements for using the Internet and telephone to submit your proxy depending on whether you are a shareholder of record or your shares are held in street name by your broker.

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Perini shareholders of record have three options for submitting their proxy.

You may submit a proxy by mail by executing and returning the enclosed proxy card in the enclosed envelope, which requires no postage if mailed in the United States. All shares of Perini common stock represented by a proxy properly signed and received at or prior to the annual meeting, unless subsequently revoked, will be voted in accordance with the instruction on the proxy.

You may also vote electronically until 2:00 a.m. eastern standard time on [ ], 2008 by logging on to the Internet at [www.investorvote.com/PCR](http://www.investorvote.com/PCR) and following the instructions.

You may vote telephonically until 2:00 a.m. eastern standard time on [ ], 2008 by calling 1-800-652-VOTE (8683) and following the recorded instructions.

By casting your vote in any of the three ways listed above, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions. If a proxy is signed and returned without indicating any voting instructions, the shares of Perini common stock represented by the proxy will be voted (1) **FOR** each director nominee and **FOR** approval of Proposals 1, 2, 4, 5 and 6 and (2) as to any matters for which Perini did not have notice on or before [ ], 2008, properly brought before the annual meeting, in the sole discretion of the Perini board of directors as to such matters.

If your shares are held in street name, you should check the voting instructions card provided by your broker, bank or other nominee to see which options are available and the procedures to be followed. Please follow their instructions carefully. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the annual meeting, you must request a legal proxy from your bank, broker or other nominee that holds your shares and present that proxy and proof of identification at the annual meeting.

### **Voting by Perini Directors and Executive Officers**

On the record date, directors and executive officers of Perini and their affiliates beneficially owned or had the right to vote shares of Perini common stock representing approximately [ ]% of the shares of Perini common stock outstanding on the record date. To Perini's knowledge, directors and executive officers of Perini and their affiliates intend to vote their shares of Perini common stock in favor of the merger proposals. A more detailed description of the ownership of Perini common stock by certain beneficial owners and Perini's directors and executive officers begins on page 137.

### **Adjournments and Postponements**

Although it is not currently expected, the annual meeting may be adjourned or postponed, including for the purpose of soliciting additional proxies, by action of the Perini shareholders if approved by shareholders or by the presiding officer of the annual meeting in accordance with Perini's bylaws. In addition, the Perini board of directors may postpone and reschedule the annual meeting prior to the meeting in accordance with Perini's bylaws. Any adjournment may be made without notice, other than by an announcement made at the annual meeting of the time, date and place of the adjourned meeting, regardless of whether or not a quorum is present. The annual meeting may be adjourned or postponed by the Perini shareholders by the affirmative vote the holders of a majority of the votes cast on the proposal at the annual meeting, regardless of whether or not a quorum is present.

Any adjournment or postponement of the annual meeting for the purpose of soliciting additional proxies will allow the Perini shareholders who have already sent their proxies to revoke them any time prior to their use at annual meeting as adjourned or postponed.

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**RISK FACTORS**

*Perini shareholders should carefully read and consider the following risk factors, which we believe are all of the significant risks related to the merger and the anticipated business of the combined company, as well as the other information contained and referred to in this proxy statement, before voting at the annual meeting.*

**Risks Relating to the Merger**

**If the public markets assign lower values to the Tutor-Saliba business than the values used in negotiating the terms of the merger, the trading price of Perini common stock may decline.**

The stock of Tutor-Saliba is not publicly traded, so there is no current market-based valuation for Tutor-Saliba's business. We also do not believe that there are closely comparable companies with publicly traded equity that provide a reasonable, comparative basis of valuation for Tutor-Saliba. In negotiating the merger, we used what we believe to be a reasonable valuation for Tutor-Saliba. The public markets may not value the Tutor-Saliba business in the same manner as we have valued it for purposes of negotiating the terms of the merger. In addition, in negotiating the economic terms of the merger, we relied upon implied valuations of Perini and Tutor-Saliba that were based upon projections of their respective future financial performance. These projections were based on estimates, assumptions and judgments with respect to, among other things, future economic, competitive and financial market conditions and future business decisions, which are difficult to predict and which are subject to numerous risks and uncertainties. The future financial performances of Perini and Tutor-Saliba could be significantly different from those contemplated by the financial projections. If either Perini's future financial performance is materially better than projected (and Tutor-Saliba does not also perform materially better), or if Tutor-Saliba's future financial performance is materially lower than projected (and Perini's performance is not similarly lower), the market may conclude that the value assigned to Tutor-Saliba in the merger was too high. In any of these events, the trading price of Perini common stock may decline.

**The merger may not be completed, which could adversely affect Perini's business operations and stock price.**

To complete the merger, Perini shareholders must approve the issuance of shares of Perini common stock as contemplated by the Merger Agreement and the amendment to the Perini amended and restated articles of organization.

In addition, the Merger Agreement contains additional closing conditions, which are described in the section "The Merger Agreement" beginning on page 68. These conditions may not be satisfied or waived. If we are unable to complete the merger, Perini would be subject to a number of risks, including the following:

Perini would not realize the benefits of the merger, including any synergies from combining the two companies; and

the trading price of Perini common stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed.

The occurrence of any of these events individually or in combination could have a material adverse effect on the results of operations, financial position and cash flows of Perini or the trading price of our common stock.

**The combined company may not realize some or all of the expected benefits of the merger that were considered in negotiating the terms of the merger.**

Perini entered into the Merger Agreement with the expectation that the merger would result in various benefits, including, among other things, synergies, cost savings and operating efficiencies. In negotiating the merger, we used what we believe to be a reasonable estimates of benefits the combined company will start to realize from the merger in 2009. These estimates were based on assumptions and judgments, which are difficult to predict and which are subject to numerous risks and uncertainties. As a result, the combined company may not



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realize all of these benefits within the timeframes or in the amounts expected. If the combined company does not realize the expected benefits from the merger within the timeframes or in the amounts expected, the trading price of Perini common stock may decline.

**Ronald N. Tutor's ownership interest in the combined company, along with his management position and his right to designate up to two nominees to serve as members of the Perini board of directors, will provide him with significant influence over corporate matters and may make a third party's acquisition of the combined company (or its stock or assets) more difficult.**

Immediately following completion of the merger, two trusts controlled by Mr. Tutor will own approximately 43% of the outstanding shares of Perini common stock. In addition, Mr. Tutor will be the chairman and chief executive officer of the combined company and will have the right to designate up to two nominees for election as members of the Perini board of directors. (Mr. Tutor and his two designees would be 3 of 11 directors.) Although the Shareholders Agreement imposes significant limits on Mr. Tutor's right to vote the shares of Perini common stock that will be held by the Tutor Group, or to take specified actions that may facilitate an unsolicited acquisition of control of Perini by Mr. Tutor or his affiliates (all as described in The Shareholders Agreement beginning on page 81), Mr. Tutor will nonetheless still be able to exert significant influence over the outcome of a range of corporate matters, including significant corporate transactions requiring a shareholder vote, such as a merger or a sale of the combined company or its assets. This concentration of ownership and influence in management and board decision-making also could harm the price of Perini common stock following completion of the merger by, among other things, discouraging a potential acquirer from seeking to acquire shares of Perini common stock (whether by making a tender offer or otherwise) or otherwise attempting to obtain control of the combined company.

**The issuance of shares of Perini common stock in the merger will substantially reduce the percentage interests of current Perini shareholders in the earnings, voting power and market value of combined company.**

Perini will issue approximately 23 million shares of Perini common stock in the merger. Upon completion of the merger and the issuance of these shares, based on the amount of shares of Perini common stock currently outstanding, Perini shareholders prior to the merger will own approximately 55% of the combined company's outstanding shares of common stock and the former Tutor-Saliba shareholders will own approximately 45% of the combined company's outstanding shares of common stock. The issuance of shares of Perini common stock in the merger will cause a significant reduction in the relative percentage interests of current Perini shareholders in earnings, voting power and market value of the combined company.

The merger is expected to be dilutive in 2008 (assuming completion in the third quarter of 2008) and accretive to Perini shareholders after 2008, and the accretive nature of the transaction is expected to result in increased earnings per share over time. The extent and duration of any dilution will depend on several factors, including the amount of merger-related expenses it incurs that are charged against its earnings, the time required to realize the benefits expected from the merger and the results of operations of Tutor-Saliba, which will not be known until after the merger is completed. If expenses charged against earnings are higher than the Special Committee expected, the benefits expected from the merger are slower to be realized than the Special Committee expected or Tutor-Saliba does not achieve the revenue and earnings growth projected by the Special Committee, the amount of dilution in 2008 could be greater than currently anticipated and the merger may not turn out to be accretive to current Perini shareholders (or may be less accretive than currently anticipated). In such event, the trading price of Perini common stock may decline.

After reflecting the pro forma adjustments as described in Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 108, the pro forma diluted earnings per common share of the combined company for the three months ended March 31, 2008 is \$0.74 and the pro forma diluted earnings per common share of the combined company for the year ended December 31, 2007 is \$2.70 (excluding Tutor-Saliba's non-recurring gain on the sale of marketable securities). These unaudited pro forma condensed combined financial statements apply certain assumptions and adjustments which are based upon available information and assumptions that the managements of Perini and Tutor-Saliba believe reasonably reflect the merger.

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**Perini will incur significant transaction, compliance, restructuring and other merger-related fees and costs.**

Perini expects to incur costs associated with combining the operations of its business with those of Tutor-Saliba, as well as transaction fees and other costs related to the merger. The total cost to consummate the transaction is estimated to be approximately \$19.2 million. The amount of transaction costs expected to be incurred is a preliminary estimate and subject to change. The combined company also will incur restructuring and integration costs in connection with the merger. Based on the experience of other merged companies and initial management estimates, costs to integrate computer systems, facilities and insurance arrangements, as well as equipment sizing, employee relocation, retention and severance costs, will be approximately \$2 million over a period of 2 years. These merger-related and restructuring cost estimates depend on decisions to be made during integration. As with any merger, these estimates are based on preliminary assessment of integration activities and are likely to change. Additional unanticipated costs may be incurred in the integration of the businesses of the two companies. Depending on the nature of the restructuring activity, the cost may be included in the purchase price allocation to the extent known or as an expense in the period incurred. In addition, it is expected that the combined company's costs related to legal and regulatory compliance may increase substantially, at least in the near term, because Tutor-Saliba has not previously been required to comply with the reporting, internal control, public disclosure and similar legal and regulatory compliance obligations and requirements applicable to publicly traded companies. Although Perini expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction, merger-related and restructuring costs over time, this net benefit may not be achieved in the near term or at all.

**The public resale by former Tutor-Saliba shareholders of Perini common stock received in the merger could have a negative effect on the trading price of Perini common stock following completion of the merger.**

In the merger, we will issue a total of approximately 22.1 million shares of Perini common stock to two trusts controlled by Mr. Tutor and approximately 900,000 shares to the other shareholders of Tutor-Saliba. None of these shares will be registered under the Securities Act of 1933, and they will only be able to be resold pursuant to a separate registration statement or an applicable exemption from registration (under both federal and state securities laws). The shares will be subject to contractual restrictions under the terms of the Shareholders Agreement. Under those restrictions, none of those shares will be permitted to be resold for six months after completion of the merger (except with the consent of the Perini board of directors or in a registered offering). Thereafter, the trusts will be permitted to sell, in the aggregate, a maximum of approximately 6.6 million shares of Perini common stock through the fifth anniversary of the completion of the merger (unless the Perini board of directors allows otherwise). Mr. Tutor has indicated that he intends to cause the Tutor Group to sell a portion of the shares of Perini common stock received in the merger as soon as the initial six-month period lapses, subject to market conditions and the terms of the Shareholders Agreement. The Tutor Group has certain rights to require Perini to register their shares for public resale under the terms of the Shareholders Agreement. In addition, if we propose to register any of our shares in a registered public offering, the Tutor Group has a right to include its shares in such offering through a valid piggyback registration of shares, subject to the right of the underwriters of an offering to limit the number of shares included in such registration. Please see [The Shareholders Agreement](#) beginning on page 81 for a description of the terms of the Shareholders Agreement.

If all or a substantial portion of these shares of our common stock issued in the merger are resold into the public markets, such transactions may cause a decline in the trading price of our common stock.

**The combined company will record goodwill that could become impaired and adversely affect its operating results.**

Under United States generally accepted accounting principles (which we refer to in this proxy statement as GAAP), the merger will be accounted for under the purchase method of accounting as a purchase by Perini of Tutor-Saliba. Under the purchase method of accounting, the total implied purchase price paid by Perini in the merger will be allocated to Tutor-Saliba's tangible assets and liabilities and identifiable intangible assets based on their fair values as of the date of completion of the merger. The excess of the purchase price over those fair values

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will be recorded as goodwill. We expect that the merger will result in the creation of goodwill based upon the application of purchase accounting. The unaudited pro forma condensed combined financial statements contained in this proxy statement beginning on page 108 reflect an estimate of goodwill resulting from the merger amounting to \$746.4 million. As a result of the merger, total pro forma goodwill of \$773.7 million would represent 24% of the total combined pro forma assets of \$3.2 billion. To the extent the value of goodwill or intangibles becomes impaired, the combined company may be required to incur material charges relating to such impairment. Such a potential impairment charge could have a material and adverse impact on the combined company's operating results.

**If Tutor-Saliba issues notes to the former Tutor-Saliba shareholders in connection with the merger, Tutor-Saliba's excess cash flows will be dedicated to repaying those notes and will not be generally available to Perini until the notes are repaid.**

In connection with the merger, Tutor-Saliba may issue aggregate dividends of up to \$120 million of cash and notes, subject to limitations contained in the Merger Agreement, in addition to the other distributions permitted by the Merger Agreement. These notes are being issued to the former Tutor-Saliba shareholders in essence to loan to the combined company, in order to support its surety requirements, funds that Tutor-Saliba would have otherwise distributed as dividends to its shareholders prior to the merger. Pursuant to the terms of the form of note attached to this proxy statement as *Annex D*, Tutor-Saliba is required to prepay the notes with 100% of its excess cash flow following the completion of the merger. Thus, until the notes are repaid, all excess cash flow generated by Tutor-Saliba following completion of the merger will be dedicated to repaying any notes issued by Tutor-Saliba in connection with the merger. Please see *Pre-Closing Distribution of Property* beginning on page 66 for a detailed description of the terms of the notes.

**The combined company will have continuing contractual obligations with Mr. Tutor, which may create conflicts of interest or may not be practical to enforce on Perini's behalf.**

The Merger Agreement includes obligations of Perini and the former Tutor-Saliba shareholders, including Mr. Tutor, that will continue following completion of the merger. These obligations include indemnification obligations, which may entitle Perini to seek recovery from the former Tutor-Saliba shareholders for losses related to pre-merger actions or omissions of Tutor-Saliba. In addition, the Employment Agreement, the Shareholders Agreement and the notes to be issued by Tutor-Saliba also include obligations that will be in effect after the completion of the merger, including the restrictions on competitive activities, several of which may be impacted by the operating performance of Perini or Tutor-Saliba or the activities of Mr. Tutor.

In light of the important role Mr. Tutor is expected to serve for the combined company, it may be more difficult, impractical or unadvisable for Perini to enforce or assert defenses with respect to these contractual obligations against Mr. Tutor than against an unaffiliated third party, which may create a conflict of interest for Perini or Mr. Tutor. (Other former Tutor-Saliba shareholders are also expected to have continuing roles with the combined company, and a similar conflict of interest may arise, although their interests in the combined company will be significantly less than Mr. Tutor's.) If Perini determines that these contractual obligations should not be enforced even if there is a valid claim for enforcement or a valid defense to the enforcement of these obligations, Perini may not get the entire benefit for which it negotiated in these agreements, including recovery for certain losses related to Tutor-Saliba for which it otherwise would be entitled to indemnification. At the time the Special Committee and the Perini board of directors approved the merger, neither the Special Committee nor the Perini board of directors were aware of any material claims for which we would expect to exercise the remedies described in this risk factor.

**Risks Relating to the Combination of Perini and Tutor-Saliba**

**The combined business will have a substantially increased backlog and may not fully realize the revenue value of such backlog.**

As of March 31, 2008, our backlog of uncompleted construction work was approximately \$7.2 billion. On a pro forma basis, assuming completion of the merger, the backlog of the combined company would be approximately \$8.5 billion as of March 31, 2008, which is 18% higher than Perini's backlog on a stand-alone company basis.

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We include a construction project in our backlog at such time as a contract is awarded or a letter of commitment is obtained and adequate construction funding is in place. The revenue projected in our backlog may not be realized or, if realized, may not result in profits. For example, if a project reflected in our backlog is terminated, suspended or reduced in scope, it would result in a reduction to our backlog which would reduce, potentially to a material extent, the revenues and profits we expected to receive from contracts in backlog. If a customer cancels a project, we may be reimbursed for certain costs and profit thereon, but typically we have no contractual right to the unearned revenues reflected in our backlog. Significant cancellations or delays of projects in our backlog could have a material and adverse effect on our revenues, cash flows and profits.

**The combined company will assume all of the risks associated with businesses that are now structured as joint ventures between Perini and Tutor-Saliba, including risks related to pending material litigation.**

As of March 31, 2008, Tutor-Saliba was our partner in a total of 3 joint ventures for projects with a backlog of \$74.8 million. Upon completion of the merger, the combined company will own 100% of these projects (and of any additional joint ventures we may commence with Tutor-Saliba prior to completion of the merger). The result is that the combined company will have a greater share of both the potential benefits and the potential risks of such projects and will no longer enjoy the benefit of reduced financial and operational risks that accompany joint ventures with third parties. One of our joint ventures with Tutor-Saliba is involved in litigation with the Los Angeles County Metropolitan Transportation Authority, or LAMTA, regarding work done on various tunnel and station projects in the 1990s. We are a 40% minority partner in that joint venture and Tutor-Saliba is the 60% managing partner. Upon completion of the merger, the combined company will be exposed to 100% of the risk of any adverse outcome of that litigation.

**The growth prospects and future earnings of the combined company may be adversely affected, and the anticipated benefits of the merger may not be fully realized, if the combined company is unable to retain the services of Mr. Tutor.**

A substantial benefit of the merger is expected to be the continued service of Mr. Tutor as the full-time chairman and chief executive officer of the combined company. Losing Mr. Tutor's services could adversely affect the business of the combined company until a suitable replacement could be found. In addition, a loss of Mr. Tutor's services in the near term is likely to have a negative impact on the combined company's ability to fully realize the anticipated benefits of the merger. Replacing Mr. Tutor quickly with an executive of equal experience and capabilities would likely be difficult. Although Mr. Tutor will be bound by the Employment Agreement following completion of the merger, as described in "The Employment Agreement" beginning on page 83, and his significant ownership interest in the combined company is likely to provide him with a substantial economic incentive to remain employed by the combined company, Mr. Tutor will have a contractual right to resign. In addition, we could lose the services of Mr. Tutor if he were to become disabled or otherwise physically unable to continue to work. Thus, despite the Employment Agreement, Mr. Tutor's continued employment with Perini cannot be assured.

**Any reduction in financing for, or changes in regulation of, the hospitality and gaming industry, particularly in Las Vegas, Nevada, that reduces the number of large construction projects available to us could adversely affect the future financial results and growth prospects of the combined company.**

Approximately 58% (or \$3.4 billion) of the combined company's pro forma revenues for the year ended December 31, 2007 were derived from construction projects in the hospitality and gaming industry in Las Vegas, Nevada. Any decline in this market or in the growth of this industry could materially and adversely affect the future financial results and growth prospects of the combined company.

**A significant portion of the combined company's operations will be concentrated in California and Nevada, and any adverse change to the economy or business environment in California or Nevada could adversely affect the combined company's future earnings and growth prospects.**

Following completion of the merger, a significant portion of the combined company's operations will be concentrated in California and Nevada. As a result, the combined company will be susceptible to fluctuations

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caused by adverse economic or other conditions in this region, including as a result of natural or other disasters. If either of these states were to experience an economic slowdown or recession, private developers might curtail building construction activities as vacancies increase and state and local governments might reduce spending on building and civil projects due to revenue shortfalls. Thus, a stagnant or depressed economy in California or Nevada could adversely affect our business, results of operations and financial condition both immediately and over a number of years after any recovery in those markets.

An economic slowdown or an uncertain economic outlook may have a particularly adverse affect on consumer spending in the hospitality and gaming industry, as that spending is discretionary and may decline during or in anticipation of economic downturns, when consumers have or expect to have less disposable income. We expect that the combined company will derive a significant portion of its revenues from the construction, expansion and renovation of hospitality and gaming facilities in Las Vegas, Nevada, so that any actual or anticipated economic slowdown could result in the cancellation or delay of projects in Las Vegas, Nevada.

**If Black Construction's opportunity to win significant business from the expansion of the United States military's operations on the island of Guam does not develop as anticipated, the growth prospects, revenues and earnings of the combined company could be adversely affected.**

A significant portion of the future revenues and growth prospects of the Black Construction, a subsidiary of Tutor-Saliba, over the next several years is expected to involve the construction of facilities for the expansion of the United States military's base on the island of Guam. This construction is dependent upon the continued implementation of the United States military's announced plan to relocate 8,000 marines and other military personnel from Okinawa, Japan to the island of Guam by 2014. The continued implementation of the United States military's plan, and the amount of work that Black Construction wins and performs in connection with the expansion of the United States military's base on the island of Guam, depends upon a number of factors, including:

competition from other construction companies operating on the island of Guam;

the political environment in the United States and Japan;

the financial and other terms agreed upon between the United States and Japan with respect to the relocation;

the United States military's and the Japanese government's availability of funds for the continued funding of the expansion and relocation in light of funding demands for other national priorities and commitments;

political, military and terrorist activities that affect the United States foreign policy;

the ability of the combined company to invest sufficiently, and on favorable terms, in expanding Black Construction's capabilities on the island of Guam, including hiring and relocating necessary personnel, acquiring land (including for warehousing and barracks) and acquiring and relocating equipment; and

economic, political and other risks relating to business outside of the United States (despite the fact that the island of Guam is a United States territory), as discussed below in . The combined business will have significant operations outside of the United States, and we expect these non-U.S. operations to increase. They will be subject to economic, political and other risks, which could adversely affect our revenues and earnings.

Any of these factors could result in a delay or cancellation of some or all of the anticipated work on the island of Guam, which would have an adverse effect on the growth prospects, future revenues and future earnings of the combined company.

**A decrease in government funding of infrastructure and other public projects could reduce the revenues of the combined company.**

## Edgar Filing: PERINI CORP - Form PRER14A

Approximately 7% (or \$409 million) of the combined company's pro forma revenues for the year ended December 31, 2007 were derived from construction projects involving civil construction contracts. Civil construction markets are dependent on the amount of infrastructure work funded by various governmental agencies which, in turn, depends on the condition of the existing infrastructure, the need for new or expanded infrastructure and federal, state or local government spending levels. A slowdown in economic activity in any of

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the markets that the combined company will serve may result in less spending on public works projects. In addition, a decrease or delay in government funding of infrastructure projects or delays in the implementation of voter-approved bond measures could decrease the number of civil construction projects available and limit our ability to obtain new contracts, which could reduce revenues within the civil construction segment of the combined company. In addition, budget shortfalls in California and other states in which both Perini and Tutor-Saliba are involved in significant infrastructure projects could curtail or delay the funding of future projects.

Perini's building construction segment also is involved in significant construction projects for public healthcare facilities, primarily in California, and public education facilities, primarily in Florida and California. These projects also are dependent upon funding by various federal, state and local governmental agencies. A decrease in government funding of public healthcare and education facilities, particularly in California and Florida, could decrease the number and/or size of construction projects available and limit our ability to obtain new contracts in these markets, which could further reduce the revenues and earnings of the combined company.

**The combined business will have significant operations outside of the United States, and we expect these non-U.S. operations to increase. They will be subject to economic, political and other risks, which could adversely affect our revenues and earnings.**

We derived approximately 3% of our revenues and approximately 35% of our income from construction operations for the year ended December 31, 2007 from our work on projects located outside of the United States, including projects in Iraq and Afghanistan. We expect non-U.S. projects to represent a meaningful portion of the revenues and earnings of the combined business for the foreseeable future. This includes the anticipated future business activities of Tutor-Saliba's Black Construction subsidiary on the island of Guam, which is a United States territory that has its own local government and is subject to only certain United States laws. The non-U.S. operations of the combined business will expose it to risks inherent in doing business in regions outside the United States (and especially in hostile regions such as Iraq and Afghanistan), including:

political risks, including risks of loss due to civil disturbances, guerilla activities and insurrection;

acts of terrorism and acts of war;

unstable economic, financial and market conditions;

potential incompatibility with foreign subcontractors and vendors;

foreign currency controls and fluctuations;

trade restrictions;

variations in taxes; and

changes in labor conditions, labor strikes and difficulties in staffing and managing international operations.

Any of these factors could harm our non-U.S. operations and, consequently, the business and operating results of the combined company. Specifically, failure to successfully manage risks associated with non-U.S. operations could result in higher operating costs than anticipated or could delay or limit our ability to generate revenues and income from construction operations in key markets outside of the United States.

**The combined company will include several new lines of businesses recently acquired by Tutor-Saliba. These acquisitions expose us to additional risks that, if realized, could adversely affect our future financial performance and operations.**

## Edgar Filing: PERINI CORP - Form PRER14A

In 2007 and 2008, Tutor-Saliba acquired two businesses Powerco Electric Corp., an electrical construction subcontractor, and Desert Plumbing & Heating Co., Inc., a plumbing and mechanical (including HVAC) subcontractor and certain material mining contracts and material stockpiles in Nevada (which are referred to in this proxy statement as the aggregates business). Although Tutor-Saliba has some experience managing and operating these types of businesses, we do not have any experience in these lines of business. Such new lines of business involve additional risks, such as those associated with entry into new markets, new operating activities, risks associated with integrating the operations of the acquired business into existing operations, managerial challenges and risks associated with marketing and delivering the goods and services provided by these new businesses.



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There is no assurance that these new businesses will be operated successfully, will be integrated into the operations of Tutor-Saliba (and of the combined company) or will produce the financial and operating benefits that Tutor-Saliba expected, in making these acquisitions, or that we anticipated in negotiating the terms of the merger and valuing Tutor-Saliba. If the acquired businesses do not perform as expected, or if they are not successfully integrated and managed, the financial performance of the combined business may be adversely affected.

### **Following the merger, we intend to continue to pursue acquisition opportunities, which may be difficult to integrate into our combined operations.**

Following the merger, we intend to continue to pursue acquisitions as part of our growth strategy. The process of managing and integrating new acquisitions into our combined operations may result in unforeseen operating difficulties and may require significant financial, operational and managerial resources that would otherwise be available for the operation, development and expansion of the existing business of the combined company. To the extent that we misjudge our ability to integrate and properly manage acquisitions, we may have difficulty achieving our operating, strategic and financial objectives.

Acquisitions also may involve a number of special financial, business and operational risks, such as:

difficulties in integrating diverse corporate cultures and management styles;

additional or conflicting government regulation;

disparate company policies and practices;

client relationship issues;

diversion of our management's time, attention and resources;

decreased utilization during the integration process;

loss of key existing or acquired personnel;

increased costs to improve or coordinate managerial, operational, financial and administrative systems;

dilutive issuances of equity securities, including convertible debt securities to finance acquisitions;

the assumption of legal liabilities;

amortization of acquired intangible assets; and

potential write-offs relating to the impairment of goodwill.

In addition to the integration challenges mentioned above, acquisitions of non-U.S. companies offer distinct integration challenges relating to non-U.S. GAAP financial reporting, foreign laws and governmental regulations, including tax and employee benefit laws, and other factors relating to operating in countries other than the United States, which are discussed above in the discussion regarding the difficulties the combined company may face operating outside of the United States.

**If Tutor-Saliba is unable to sustain its recent, significant rate of growth, the growth prospects and future results of the combined company are likely to be adversely affected.**

Over the past two years, Tutor-Saliba has undergone substantial revenue and earnings growth. This growth has come from a combination of organic growth and the effects of recent acquisitions. These acquisitions also are expected to contribute significantly to the future performance and growth prospects of the Tutor-Saliba business. Because this growth has not occurred over a sustained period of time, and because it is expected to be partially dependent upon the performance of recent acquisitions, there is no assurance that Tutor-Saliba will be able to continue this rapid pace of growth in the future. Such growth also could be negatively affected by many factors, including future construction industry and capital market conditions, the effects of integration with the Perini business or failures to integrate and successfully manage recent acquisitions (as discussed in the risk factor The combined company will include several new lines of businesses recently acquired by Tutor-Saliba. These acquisitions expose us to additional risks that, if realized, could adversely affect our future financial performance and operations. ). If, following the merger, Tutor-Saliba's growth rate slows, or if it fails to grow at the pace anticipated by Perini, the growth prospects and future results of the combined company are likely to be adversely affected.

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**THE MERGER**

**The Companies**

*Perini Corporation*

*Trifecta Acquisition LLC*

73 Mt. Wayte Avenue

Framingham, Massachusetts 01701

(508) 628-2000

Perini is a leading construction services company offering diversified general contracting, construction management and design-build services to private clients and public agencies throughout the world. We offer general contracting, preconstruction planning and comprehensive project management services, including the planning and scheduling of the manpower, equipment, materials and subcontractors required for a project. We also offer self-performed construction services, including site work, concrete forming and placement and steel erection. During 2007, we performed work on approximately 185 construction projects for over 100 federal, state and local government agencies or authorities and private customers.

Our business is conducted through three primary segments: building, civil and management services. Our building segment (comprised of Perini Building Company, James A. Cummings, Inc. and Rudolph and Sletten, Inc.) focuses on large, complex projects in the hospitality and gaming, sports and entertainment, educational, transportation, corrections, healthcare, biotech, pharmaceutical and high-tech markets in New York, Connecticut, New Jersey, Massachusetts, Florida, Washington, D.C., Arizona, Nevada and California. Our civil segment is comprised of Perini Civil Construction and Cherry Hill Construction, Inc. and focuses on public works construction primarily in the northeastern and mid-Atlantic United States, including the repair, replacement and reconstruction of public infrastructure such as highways, bridges, mass transit systems and wastewater treatment facilities. Our management services segment provides diversified construction, design-build and maintenance services to the United States military and government agencies as well as surety companies and multi-national corporations in the United States and overseas.

Perini was incorporated in 1918 as a successor to businesses that had been engaged in providing construction services since 1894. Our headquarters are in Framingham, Massachusetts, and we have twelve other principal offices throughout the United States.

Shares of Perini common stock are traded on the NYSE under the symbol PCR.

For additional information about Perini and its business, please see *Incorporation by Reference* beginning on page 146 and *Where You Can Find Additional Information* beginning on page 146.

Trifecta Acquisition LLC is a California limited liability company and a wholly owned subsidiary of Perini. Trifecta Acquisition LLC was formed solely for the purpose of entering into the Merger Agreement with Tutor-Saliba and completing the merger. It has not conducted any business operations other than those contemplated by the Merger Agreement.

*Tutor-Saliba Corporation*

15901 Olden Street

Sylmar, California 91342

(818) 362-8391

Tutor-Saliba is a leading civil infrastructure and commercial building construction company that focuses on large, complex projects, usually ranging from \$100 million to \$1 billion or more in size. Tutor-Saliba manages all aspects of these projects, including design-build, design-bid-build and pre-construction services for its customers, the project owners.



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Tutor-Saliba operates in three segments: domestic building, domestic civil and international. Tutor-Saliba's domestic building operations are predominately in Nevada and California where it maintains large offices. Tutor-Saliba's domestic civil operations have been historically focused primarily in California and New York. Tutor-Saliba's international operations are conducted primarily on the island of Guam and in the Philippines.

Tutor-Saliba's domestic building operations focus on large, complex buildings in the gaming and hospitality, sports and entertainment, transportation, education and healthcare markets, as well as for governmental agencies. Tutor-Saliba's domestic civil operations focus on large, complex public infrastructure construction, including highways, bridges, airports, wastewater treatment facilities and mass transit systems. Tutor-Saliba's primary customers are federal and state government agencies and local municipalities. Tutor-Saliba's international operations are conducted through its subsidiary, Black Construction Corporation, which has been in operation for over 50 years and is the largest contractor on the island of Guam. Black Construction also operates in the Philippines and Micronesia. This segment focuses on both civil and building projects, serving the United States military, local governments and private companies.

Tutor-Saliba is a privately held corporation. Its principal shareholders are two trusts controlled by Mr. Tutor.

For additional information about Tutor-Saliba and its business, please see "Information about Tutor-Saliba" beginning on page 87 and "Where You Can Find Additional Information" beginning on page 146.

### **The Merger Proposals**

At the annual meeting, among other matters, the holders of Perini common stock will be asked to consider and vote on the following proposals related to the merger:

*Proposal 1:* A proposal to approve the issuance of 22,987,293 shares of Perini common stock in the merger contemplated by the Agreement and Plan of Merger, dated as of April 2, 2008, by and among Perini, Trifecta Acquisition LLC, Tutor-Saliba, Mr. Tutor and shareholders of Tutor-Saliba, as amended by Amendment No. 1 thereto, dated as of May 28, 2008; and

*Proposal 2:* A proposal to amend our amended and restated articles of organization to increase the number of authorized shares of Perini common stock from 40 million to 75 million shares.

**THE MERGER WILL NOT BE COMPLETED UNLESS, AMONG OTHER THINGS, THE PERINI SHAREHOLDERS APPROVE BOTH (1) THE SHARE ISSUANCE PROPOSAL AND (2) THE ARTICLES AMENDMENT PROPOSAL. UNDER THE MERGER AGREEMENT, COMPLETION OF THE MERGER IS SUBJECT TO THE SATISFACTION (OR, IF LEGALLY PERMITTED, WAIVER) OF SPECIFIED CLOSING CONDITIONS. APPROVAL BY THE PERINI SHAREHOLDERS OF THE MERGER PROPOSALS IS SUCH A CONDITION, WHICH MAY NOT BE WAIVED BY EITHER PERINI OR TUTOR-SALIBA.**

The share issuance proposal is intended to satisfy the listing requirements of the NYSE.

The articles amendment proposal is intended to satisfy the requirements of Massachusetts law and the Perini amended and restated articles of organization for shareholder approval of amendments to the amended and restated articles of organization.

### **Background of the Merger**

Perini and Tutor-Saliba have worked closely together since approximately 1977. The two companies have worked as joint venture partners on over 35 projects with aggregate project value of over \$2.9 billion since that time. This includes recent joint ventures such as the Tappan Zee Bridge Repair, Brooklyn Queens Expressway Rehabilitation and the Airtran Terminal at Jamaica Station.

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Tutor-Saliba has been an investor in Perini for much of the past 17 years, over which period Ronald N. Tutor has been the chairman and chief executive officer of Tutor-Saliba. Mr. Tutor (through trusts controlled by him) is the principal shareholder of Tutor-Saliba, owning approximately 96% of the outstanding stock of Tutor-Saliba.

In January 1997, a group led by Blum Capital Partners, which included Tutor-Saliba as a limited partner, invested approximately \$30 million in Perini to help Perini avoid bankruptcy. In connection with that investment, Mr. Tutor became a director of Perini and its chief operating officer, pursuant to a management agreement between Perini and Tutor-Saliba. Michael R. Klein, another investor in that group, also joined the Perini board of directors.

In 2000, Perini obtained additional \$40 million in equity capital from a group led by Tutor-Saliba, American International Group Inc, or AIG, and O&G Industries, in which Tutor-Saliba again participated as an investor, and, in connection with this investment, Mr. Tutor became Chairman of the Perini board of directors. Tutor-Saliba subsequently acquired the shares acquired by AIG directly from AIG.

In March 2000, Mr. Tutor became Perini's chief executive officer. He continues to serve Perini as both its chairman and chief executive officer, positions he has also continuously held at Tutor-Saliba. Mr. Klein was elected vice chairman of the Perini board of directors in September 2000, and its Lead Outside Director in 2004.

From time to time since 1997, Mr. Klein and other members of the Perini board of directors have raised with Mr. Tutor the possibility of combining Perini with Tutor-Saliba. None of these discussions resulted in any substantial negotiations because Mr. Tutor routinely indicated that he preferred to keep Tutor-Saliba a separate, privately owned company.

On November 13, 2007, at a meeting of the Compensation Committee of the Perini board of directors, Mr. Tutor explained, as reflected in public filings made by Tutor-Saliba and Mr. Tutor, that Tutor-Saliba had been selling its shares of Perini common stock. He said that Tutor-Saliba intended to sell the remainder of its shares of Perini common stock in order to separate the two businesses because he was contemplating taking Tutor-Saliba public in the Spring of 2008 through an initial public offering. He went on to state that, if he proceeded with this initial public offering, he would resign his executive roles with Perini. As reflected in public filings made by Tutor-Saliba and Mr. Tutor, following this meeting, Tutor-Saliba continued to sell the remainder of its shares of Perini common stock until, in December 2007, it ceased to directly or indirectly own any shares of Perini common stock. (Mr. Tutor continued to own (and still owns) restricted stock units covering 150,000 shares of Perini common stock, which shares vested by their terms on June 30, 2008.)

Following this disclosure, the non-management directors of Perini who were present at the meeting of the Compensation Committee (Mr. Klein, Peter Arkley, Willard W. Brittain, Jr., Robert A. Kennedy and Raymond R. Oneglia) convened separately to discuss the implications for Perini of Mr. Tutor's statements. They determined to begin to explore alternatives on behalf of Perini, including, whether to again propose that Mr. Tutor consider, as an alternative to an initial public offering of Tutor-Saliba, combining Perini and Tutor-Saliba, on terms that were acceptable to Perini. These directors discussed the possibility that a new chief executive officer might need to be identified if a business combination transaction between Perini and Tutor-Saliba could not be negotiated. They decided to begin to search for potential candidates to prepare for that possibility. These directors also discussed the possibility that unsolicited proposals for the acquisition of Perini might be presented to Perini, including those that might arise either once a business combination with Tutor-Saliba was publicly announced or after the merger was completed. They also discussed potential bidders that they thought were most likely to be interested in Perini. However, they did not reach any conclusions regarding how Perini should react to any such proposals or whether interest in any such proposals should be solicited. Recognizing that any business combination transaction with Tutor-Saliba would present a conflict of interests for Mr. Tutor, the directors asked Mr. Klein to inform the other non-management members of the Perini board of directors of these recent developments and then to organize a committee of independent and disinterested directors to be responsible for Perini's interests. They also discussed several administrative matters relating to forming such a committee.

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Over the next several weeks, Mr. Klein discussed these matters with the other non-management members of the Perini board, who generally indicated that a business combination transaction with Tutor-Saliba would merit consideration, if Mr. Tutor was interested in considering that as an alternative to taking Tutor-Saliba public. These discussions related primarily to ministerial and administrative matters related to organizing an independent committee of the Perini board of directors to consider this kind of a transaction. They also agreed that the group of directors that had informally convened to discuss the transaction on November 13, 2007 (other than Mr. Oneglia) should likely serve on such an independent committee, subject to an outside counsel assessment of their independence and disinterestedness. Mr. Klein also discussed with those directors the process for retaining and negotiating arrangements with potential legal and financial advisors.

In late November and early December 2007, Mr. Klein approached potential legal and financial advisors to assist a board committee that would be formed if Mr. Tutor were to be interested in discussing a business combination transaction between Perini and Tutor-Saliba. Mr. Klein contacted Kirkland & Ellis LLP to serve as the committee's legal counsel and UBS Securities LLC (referred to in this proxy statement as UBS) to serve as the committee's financial advisor, with the retention of each to be formally determined if and when a special committee was formed.

Mr. Klein arranged and had a dinner meeting with Mr. Tutor on the evening of December 11, 2007, in New York City to assess his receptivity to a business combination between Tutor-Saliba and Perini as an alternative to an initial public offering of Tutor-Saliba because he believed it was in Perini's best interests to pursue negotiations with Mr. Tutor to determine whether a business combination transaction with Tutor-Saliba could be entered into on terms that were acceptable to Perini. At that dinner, Mr. Klein discussed with Mr. Tutor reasons why he believed that a business combination transaction between the two companies would be an attractive alternative for Mr. Tutor. Mr. Klein suggested to Mr. Tutor that both an initial public offering of Tutor-Saliba and a business combination transaction between Tutor-Saliba and Perini would achieve the same economic goal for Tutor-Saliba shareholders—permitting them to monetize their interests in Tutor-Saliba at public market values. However, he suggested to Mr. Tutor that a business combination with Perini would be a faster, less expensive and less risky alternative than an initial public offering of Tutor-Saliba to successfully create value for the Tutor-Saliba shareholders. He also noted that the benefits expected to be realized from a combination of the businesses of Tutor-Saliba and Perini would not be present in an initial public offering. Mr. Klein indicated that he thought that there was interest on the part of the Perini board of directors in entering into discussions regarding such a business combination transaction. Mr. Tutor responded that he was willing to consider such a business combination transaction along with his continuing pursuit of an initial public offering for Tutor-Saliba, although he did not express any conclusions regarding the likelihood of entering into the business combination transaction. He indicated that he expected that Tutor-Saliba would be prepared to file its registration statement for its initial public offering within a few months and that prospective advisors had indicated that the initial public offering would be well received by the market. Mr. Klein advised Mr. Tutor that, given his relationships with both entities, any negotiations of a transaction should adhere to stringent procedures appropriate to the negotiation of transactions involving conflicts of interest. He noted that such procedures would include the formation of an independent committee to negotiate the transaction on behalf of Perini, which could hire independent legal and financial advisors, restrictions on Mr. Tutor's communications with the other members of the Perini board of directors and management regarding the transaction, restrictions on Mr. Tutor's access to any information relevant to Perini's negotiation of the transaction by the independent committee and abstentions by Mr. Tutor from any actions that might affect the negotiations. Mr. Tutor stated that he understood and agreed to observe these procedures. Mr. Klein then reported the results of this dinner conversation to the other members of the Perini board of directors with whom he discussed the proposed transaction on November 13, 2007, and they generally agreed to proceed to organize a special committee of independent and disinterested directors to explore this business combination transaction on behalf of Perini, with the assistance of outside independent legal and financial advisors.

On January 3, 2008, Mr. Tutor sent a letter to Mr. Klein and the other members of the Perini board of directors in which he outlined the terms on which he would be interested in a business combination transaction between Tutor-Saliba and Perini. The letter stated that he would expect Perini to be the surviving public company in the

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transaction and that he would continue as the chairman of the Perini board of directors and chief executive officer of Perini after the closing of the transaction. Mr. Tutor proposed that, after certain distributions of non-core Tutor-Saliba assets prior to the closing of the transaction, based on his assessment of the value of Tutor-Saliba, the shareholders of Tutor-Saliba should own approximately 55% of the pro forma outstanding shares of the combined company, although he suggested that he might be willing to structure that equity interest to include 49% of the pro forma outstanding shares of common stock of the combined company, plus non-voting preferred stock of Perini with a value of \$250 million. Mr. Tutor suggested a meeting to discuss the proposed transaction on or about January 15, 2008. Shortly after receiving this letter, to which he did not respond, Mr. Klein received from Tutor-Saliba a copy of marketing materials prepared by advisors to Tutor-Saliba containing, among other information, various preliminary valuation indications of Tutor-Saliba in connection with a potential initial public offering of, and certain assumed strategic investments in, Tutor-Saliba. These materials had been prepared for the sole purpose of being delivered to several prospective underwriters in connection with the initial public offering. Mr. Klein subsequently conveyed these materials to other members of the Perini board of directors.

On January 7, 2008, the Perini board of directors held a meeting at Perini's headquarters in Framingham, Massachusetts and by teleconference. All of the directors (including Mr. Tutor) were in attendance in person or by telephone. At the meeting, the Perini board of directors created the Special Committee to explore and evaluate potential strategic transactions that might be available to Perini, including in particular a business combination transaction with Tutor-Saliba, and to discuss and negotiate the terms of any such transactions. The board discussed the need to ensure that all members of the Special Committee were both independent and disinterested. Mr. Klein reported that he had received advice and assistance assessing the qualifications of the Perini directors to serve as members of the Special Committee from Kirkland & Ellis. After discussion of such qualifications, the board decided that the Special Committee would be comprised of four independent, disinterested directors who had begun to discuss the proposed transaction with Tutor-Saliba on November 13, 2007 Messrs. Arkley, Brittain, Kennedy and Klein. The board of directors directed the Special Committee to report back to the full board with its recommendations and conclusions at such time as they were prepared to either recommend a specific transaction or advise the full board that, in their judgment, no strategic transaction available to Perini should be pursued. Mr. Klein was elected the initial Chairman of the Special Committee, subject to further confirmation by the Special Committee.

Following the meeting, Mr. Klein scheduled a meeting with Mr. Tutor and other representatives of Tutor-Saliba for January 17, 2008 in Los Angeles, California.

Prior to a meeting of the Special Committee on January 16, 2008, Mr. Klein and UBS reached tentative agreement on the financial terms of UBS engagement by the Special Committee.

On January 16, 2008, the Special Committee held a meeting in Los Angeles, California, together with its financial and legal advisors. The Special Committee discussed with these advisors the dynamics defining the possibility of negotiating a transaction with Tutor-Saliba on terms that might be acceptable to both parties, in preparation for the meeting scheduled for the following day with representatives of Tutor-Saliba. UBS presented its preliminary financial analyses of Tutor-Saliba and Perini and a general overview of the financial market for engineering and construction companies. The Special Committee and its advisors discussed the degree to which an impediment to the ability of Perini to offer a transaction that would be attractive to Mr. Tutor and acceptable to Perini, in that the shares of Perini common stock were trading at prices well below historic levels for Perini and multiples of comparable companies and discussed events that might explain that to Mr. Tutor. As they had previously discussed on November 13, 2007, the Special Committee also discussed the possibility of business combinations with other participants in the industry, including proposals that might arise in connection with the pursuit or announcement of a transaction with Tutor-Saliba, and the pursuit of alternative leadership in the event Mr. Tutor resigned from Perini to pursue an initial public offering of Tutor-Saliba. After this discussion, the Special Committee decided not to initiate exploration of alternative transactions with other participants in the industry until it had first explored more completely a combination with Tutor-Saliba or received a proposal for an alternative transaction on an unsolicited basis. The Special Committee reached this decision based on several



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factors, including (i) its belief that it should proceed with the consideration and negotiation of a transaction with Tutor-Saliba before it determined if soliciting interest in proposals to acquire Perini or enter into an alternative business combination transaction involving Perini was necessary, appropriate or in the best interests of Perini and its shareholders, (ii) the current trends and competitive developments in the industry, including the overall decline in market value of public companies in the industry, which created unfavorable conditions in which to seek to sell Perini, (iii) the fact that the transaction with Tutor-Saliba appeared to be, based on the Special Committee's knowledge of the business, market and potential acquirors of Perini, the most likely transaction that would increase shareholder value, (iv) the risk that Perini might lose the current opportunity to pursue a business combination transaction with Tutor-Saliba if Tutor-Saliba became aware of the initiation of efforts to identify and solicit alternative transactions, (v) the Special Committee's belief that, in any event, any final transaction agreement with Tutor-Saliba would include provisions that would allow the Special Committee and the Perini board of directors to pursue a superior offer if it were to materialize, and (vi) the Special Committee's belief that completion of the merger would not preclude the pursuit of any potential strategic alternatives for Perini in the future (other than remaining as a stand-alone company without the acquisition of the Tutor-Saliba business) and, in fact, might enhance the availability and/or attractiveness of such alternatives. However, the Special Committee agreed that it could revisit this issue in the future. The Special Committee ultimately did not opt to pursue other strategic alternatives during its consideration of the merger, primarily because it determined that the merger was in the best interests of the Perini shareholders, the Merger Agreement included the expected provisions that would allow the Special Committee and the Perini board of directors to pursue an alternative transaction proposal reasonably likely to lead to a superior proposal if one materialized (or change the recommendation of the Perini board of directors to the Perini shareholders pursuant to its fiduciary obligations), the Special Committee determined that soliciting interest in alternative transactions was not necessary or appropriate in light of the nature of the merger in which Perini shareholders would continue to hold their interests in Perini and no unsolicited offers for alternative transactions had been made known to the Special Committee during the period of consideration of the Merger Agreement.

On January 17, 2008, the Special Committee held a meeting in Los Angeles, California, together with its legal advisors. At the meeting, the Special Committee discussed several organizational matters and basic procedures to be followed by the Special Committee. Topics expected to be discussed with representatives of Tutor-Saliba also were reviewed. The Special Committee confirmed that Mr. Klein would serve as the Chairman of the Special Committee and that the Special Committee would formally retain UBS as the Special Committee's financial advisor (subject to the negotiation of an appropriate engagement letter) and Kirkland & Ellis as the Special Committee's legal counsel. The representatives of Kirkland & Ellis discussed several legal considerations with the Special Committee, including the fiduciary obligations of Perini directors with respect to any business combination with Tutor-Saliba and how the terms of any business combination agreement with Tutor-Saliba could affect those obligations.

Later in the day on January 17, 2008, the Special Committee and its financial and legal advisors met at UBS' offices in Century City, California with representatives of Tutor-Saliba and its advisors, including Deutsche Bank Securities Inc. (referred to in this proxy statement as Deutsche Bank), Tutor-Saliba's financial advisor, and Tutor-Saliba's outside legal counsel, Latham & Watkins LLP and Nomi Castle. In attendance on behalf of Tutor-Saliba were Mr. Tutor, James A. Frost, executive vice president and chief operations officer of Tutor-Saliba, and William B. Sparks, senior vice president and chief financial officer of Tutor-Saliba. Early in the discussions that ensued at the meeting, Mr. Tutor agreed that, in light of the dialogue between the parties concerning the then-current market price of Perini common stock, that any transaction could be negotiated on the basis of the implied relative values of the two companies, rather than being tied to the fluctuating market value of Perini common stock. This agreement in principle among the members of the Special Committee and Mr. Tutor reflected a consensus among them that Perini common stock was then under-valued, so that any transaction in which Tutor-Saliba shareholders would receive an interest in Perini based on the current trading prices for Perini common stock would necessarily undervalue Perini, and that if the terms of a transaction were appropriately negotiated, the benefits ultimately would be reflected in a rise in the market value of Perini over the long term. Accordingly, the negotiations thereafter proceeded toward finding terms of a business combination that reflected

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the relative implied values of the two companies (one to the other), based on both their present and projected performance, rather than looking to the fluctuating market price of Perini common stock. As a result, Tutor-Saliba agreed to make financial and legal due diligence materials regarding Tutor-Saliba available to the Special Committee and its advisors and that the parties could reconvene to discuss possible financial terms of a potential transaction once the Special Committee was able to review these materials and discuss the results of its work. A representative of Kirkland & Ellis also reminded the parties about the importance of adhering to the Special Committee's guidelines for the negotiation of a transaction.

Tutor-Saliba made financial and legal due diligence materials regarding Tutor-Saliba available to the Special Committee and its advisors, beginning on January 19, 2008 and continuing until shortly before the execution of the Merger Agreement. This included providing access to an online data room, making Tutor-Saliba's management and advisors available for various meetings and providing supplemental information at the request of the Special Committee and its advisors.

Over the next several days, representatives of Kirkland & Ellis and Latham & Watkins discussed appropriate procedures for the sharing of information between the companies and negotiated a confidentiality and standstill agreement that both companies signed on January 25, 2008.

On January 23, 2008, representatives of UBS met with management of Tutor-Saliba, including Messrs. Tutor, Frost and Sparks, and representatives of Deutsche Bank at Tutor-Saliba's headquarters near Los Angeles, California. At the meeting, the parties discussed certain projected financial information of Tutor-Saliba.

On January 25, 2008, management of Perini, including Robert Band, president and chief operating officer of Perini, and Kenneth R. Burk, senior vice president and chief financial officer of Perini, and representatives of UBS met with management of Tutor-Saliba, including Messrs. Tutor, Frost and Sparks, and representatives of Deutsche Bank at Tutor-Saliba's headquarters near Los Angeles, California. At the meeting, the parties discussed certain alternatives regarding post-closing operations of the companies (which did not include any discussion of post-closing management of the combined company).

On February 7, 2008, the Special Committee held a meeting in Washington, D.C., together with its financial and legal advisors. Representatives of UBS provided an update to the Special Committee on the work UBS had done since the January 17, 2008 meetings with Tutor-Saliba, including its preliminary financial analyses of Tutor-Saliba, Perini and the proposed transaction. The Special Committee and its advisors discussed the preliminary analyses and several open items in them. The Special Committee reviewed and discussed the projections of financial performance for each of Perini and Tutor-Saliba proposed by each company, respectively, and the comments on the reasonableness of the projections provided by each company's management of the other company's projections. (Mr. Tutor did not participate in the preparation of Perini's base case projections). In addition, in a series of separate calls, the Special Committee discussed these items with management of Tutor-Saliba (including Messrs. Tutor and Sparks), management of Perini (including Messrs. Tutor, Band and Burk), and other members of the Perini board of directors. Following these calls, the Special Committee further discussed the various projections with UBS and provided further input on its views of the projections in an effort to create a set of projections for each company and an estimate of synergies for the combined company that would reflect the best currently available estimates and judgments of the Special Committee, taking into account its independent views, input from the two companies' senior management and input from the other directors of Perini, of the future financial performance of the companies and the estimated synergies for the combined company. In addition, the Special Committee discussed the potential impact on Perini and its shareholders of the discontinuation of Mr. Tutor's leadership of Perini (which they expected would occur if no business combination were negotiated and Mr. Tutor was able to complete an initial public offering of Tutor-Saliba). They concluded that his absence could have significant adverse effects on Perini's future success on a stand-alone basis, particularly on Perini's civil segment. Accordingly, the Special Committee adjusted the projected financial performance of Perini as a stand-alone company operating without Mr. Tutor's involvement to reflect this view. Finally, the Special Committee also discussed preliminarily terms and conditions for the retention of Mr. Tutor as the chief executive officer and substantial shareholder of the combined company for an extended period after any business combination.

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Following the February 7, 2008 meeting of the Special Committee, Mr. Klein contacted Mr. Tutor and indicated that he expected to be able to meet in about a week to discuss the possible financial terms of a business combination.

Shortly after the February 7, 2008 meeting of the Special Committee, Perini and the Special Committee executed an engagement letter with UBS that had been approved by the Special Committee at the meeting.

Between February 8 and February 10, 2008, the Special Committee continued to review, discuss and refine the projections by and of the two companies separately and combined, and the estimated synergies for a combined company.

On February 12, 2008, the Special Committee met by teleconference, together with its financial and legal advisors. Representatives of UBS provided an update to the Special Committee on its work since the previous meeting of the Special Committee and presented a revised preliminary financial analyses of Tutor-Saliba, Perini and business combination transaction which reflected guidance provided by the Special Committee at and since the previous meeting of the Special Committee. The Special Committee discussed the relative implied values of Perini and Tutor-Saliba, as reflected in the preliminary financial analyses presented by UBS. Based on the relative implied values of Perini and Tutor-Saliba reflected in the analyses presented to the Special Committee, there was general agreement among the Special Committee members that Mr. Tutor's proposal that Perini shareholders should own less than a majority of the total shares of the combined company was not acceptable. Based on the relevant information presented and discussed, the Special Committee discussed various approaches to the amount of relative ownership of the combined company by Perini and Tutor-Saliba shareholders. It sought an approach that would be beneficial to Perini shareholders, sufficiently attractive to Mr. Tutor to cause him to want to continue pursuing the proposed transaction and consistent with the relative implied valuations of Tutor-Saliba and Perini (taking into account the estimated synergies). In light of these discussions, the Special Committee generally agreed, on a tentative basis, that they would propose a business combination in which the Tutor-Saliba shareholders would receive a percentage of the fully-diluted shares of the combined company in the mid-40's as a basis for further discussion of the transaction with Mr. Tutor. The Special Committee also reviewed compensation packages for chief executive officers at peer firms, with a view to developing an appropriate employment agreement with Mr. Tutor in the event that a transaction were to be completed. Representatives of Kirkland & Ellis discussed with the Special Committee certain non-financial terms for which the Special Committee should consider negotiating as a material part of the negotiation of the material terms of the entire transaction, including restrictions on Mr. Tutor with respect to his ownership, voting and sale of shares of Perini common stock received in any transaction. The Special Committee discussed various negotiation strategies and ranges of acceptable values and authorized Mr. Klein to meet with Mr. Tutor to proceed to negotiate the material terms of a possible transaction.

Mr. Klein subsequently asked Mr. Arkley to join him at the meeting with Mr. Tutor.

On February 14, 2008, Mr. Klein, accompanied at times by Mr. Arkley, met with Mr. Tutor in Century City, California. During the course of this meeting, representatives of UBS and Kirkland & Ellis were available to advise the Special Committee members and representatives of Deutsche Bank and Latham & Watkins were available to advise the representatives of Tutor-Saliba. Following the decision regarding the combined company ownership ratios proposed by the Special Committee, Mr. Klein initiated the negotiation by proposing to Mr. Tutor a transaction in the form of an all-stock merger in which shareholders of Tutor-Saliba would receive shares of Perini common stock equal to 42% of the fully diluted shares of the combined company in exchange for all shares of Tutor-Saliba, after the distribution of certain Tutor-Saliba assets. Mr. Klein suggested that the Special Committee believed that Tutor-Saliba would be viewed as contributing approximately 42% of the implied value of the combined company in a merger, taking into account estimated synergies that were expected to be realized as a result of the transaction, so that Tutor-Saliba shareholders should, in the merger, receive approximately that percentage of the shares of common stock of Perini that would be outstanding at that time. Mr. Tutor responded that he felt that percentage failed adequately to reflect the immediate and expected longer term contributions of Tutor-Saliba to the combined enterprise and requested, obtained and then responded further

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to a presentation of the rationale for the proposed exchange ratio. After a series of proposals and counter-proposals, and after consultations with their respective outside advisors, Mr. Klein and Mr. Tutor reached a tentative agreement on the principal terms of a merger transaction, subject to further due diligence, confirmation of valuations, the negotiation of definitive agreements and the receipt of necessary approvals, including that of the Special Committee and the full Perini board of directors. The parties tentatively agreed that:

Perini would acquire Tutor-Saliba (excluding cash and certain non-core physical assets of Tutor-Saliba which Tutor-Saliba would distribute to its shareholders before the transaction) in a stock-for-stock transaction structured as a merger;

the shareholders of Tutor-Saliba would receive shares of Perini common stock as merger consideration equal to approximately 45% of the pro forma outstanding shares of the combined company, subject to the Special Committee receiving an opinion from its financial advisor that the corresponding exchange ratio was fair from a financial point of view to Perini;

the merger agreement would include a fiduciary out to permit the Perini board of directors to change its recommendation to Perini shareholders and/or terminate the merger agreement to accept a superior proposal;

Mr. Tutor would sign a 5-year employment agreement to serve as the chief executive officer of the combined company and would get certain board representation rights; and

Mr. Tutor and the other shareholders of Tutor-Saliba who would receive shares of Perini common stock in the merger would agree to be bound by transfer, voting, and standstill restrictions with respect to those shares in a shareholders agreement to be negotiated separately.

The parties also discussed whether the agreements should contemplate that Perini would be reincorporated in Delaware or Nevada and move its headquarters to Las Vegas, Nevada.

Following this meeting, Mr. Klein instructed Kirkland & Ellis to prepare draft agreements to reflect the proposed transaction discussed at the February 14 meeting.

On February 22, 2008, Kirkland & Ellis delivered a draft of a merger agreement, a shareholders agreement and an employment agreement for Mr. Tutor to Tutor-Saliba and its advisors. Following the delivery of these agreements, Mr. Tutor contacted Mr. Klein and raised concerns about various terms the parties had identified upon review of these draft agreements, including whether the post-closing indemnification of Perini would be secured by certain of the shares of Perini common stock to be issued in the merger, the right of Perini to respond to unsolicited alternative takeover proposals for Perini, the transfer restrictions imposed with respect to the shares of Perini common stock to be received by the Tutor-Saliba shareholders in the merger and unresolved compensation amounts in the employment agreement with Mr. Tutor. Messrs. Klein and Tutor also discussed a timetable for the negotiation of the agreements.

On February 28, 2008, representatives of Kirkland & Ellis held a teleconference with management of Tutor-Saliba, including Messrs. Tutor and Sparks, and representatives of Latham & Watkins to discuss the draft agreements delivered on behalf of the Special Committee. The parties discussed, among other things, the deal structure, various terms of the employment agreement with Mr. Tutor, the scope of the right of the Perini board of directors to change its recommendation to Perini shareholders or terminate the merger agreement, the amount of a termination fee and expense reimbursement that Perini would be required to pay to Tutor-Saliba following the termination of the merger agreement in certain circumstances, whether the post-closing indemnification of Perini would be secured by certain of the shares of Perini common stock to be issued in the merger, the terms on which Tutor-Saliba would be permitted to make pre-closing dividends of various non-core assets and available cash balances and the terms of the transfer, standstill and voting restrictions in the proposed shareholders agreement.

Over the course of the next several weeks, representatives of Kirkland & Ellis and Latham & Watkins continued to exchange drafts of the transaction agreements and engaged in several teleconferences to negotiate the terms of the agreements at the direction and on behalf of their respective clients. In addition, Messrs. Klein



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and Tutor directly negotiated various issues that arose regarding terms of these agreements. The parties continued to discuss many of the same items discussed on the February 28, 2008 teleconference, including the transaction structure (as to which the parties discussed several different options to effect the transaction in a tax-efficient manner and also discussed the possible reincorporation of the combined company in Delaware), the term of the transfer, standstill and voting restrictions in the shareholders agreement (which would extend for longer periods than initially agreed if the Tutor Group continued to hold a significant portion of the shares), the limitations on the indemnification obligations of the parties and the timing for Perini's receipt of audited financial statements of Tutor-Saliba. Throughout the time of these continuing negotiations, the Special Committee, with the assistance of its advisors, continued to collect and assess additional information regarding Tutor-Saliba, Perini and the proposed transaction and to review and refine the projections of the future financial performance of the companies based on information from the management of Tutor-Saliba and Perini and additional input from the Special Committee members.

On March 18, 2008, the Special Committee held a meeting at Perini's headquarters in Framingham, Massachusetts, together with its financial and legal advisors. Prior to the meeting, drafts of the Merger Agreement, Shareholders Agreement and Employment Agreement were circulated to the Special Committee members. At the meeting, Mr. Klein and representatives of Kirkland & Ellis provided an update to the other members of the Special Committee on the status of the negotiations to date. Kirkland & Ellis also reviewed the drafts of the agreements provided to the Special Committee. The Special Committee provided further guidance to the representatives of Kirkland & Ellis on proposed revisions to the terms of the agreements. In addition, the Special Committee discussed the terms on which Tutor-Saliba would be permitted to make the contemplated pre-closing dividends, including the expected amount of cash Tutor-Saliba would distribute to its owners by dividend prior to the closing and the anticipated impact of these dividends on the combined company's surety bonding capacity. Representatives of Kirkland & Ellis again reviewed with the Special Committee aspects of its fiduciary duties in connection with its consideration of the proposed transaction. UBS provided an update to the Special Committee on the work UBS had done since the previous meeting of the Special Committee and presented its preliminary financial analyses of Tutor-Saliba, Perini and of the proposed transaction in light of the economic terms reflected in the current drafts of the transaction agreements. The Special Committee determined that it would update the Perini board of directors regarding the status of the proposed transaction at a regularly scheduled meeting of the Perini board of directors to take place on March 19, 2008.

Following this meeting of the Special Committee, Messrs. Klein and Arkley met with Mr. Tutor at Perini's headquarters in Framingham, Massachusetts to discuss the desire of the Special Committee that Tutor-Saliba's dividends prior to closing not result in the combined company lacking a level of cash at closing adequate to support anticipated bonding needs. As a result of these discussions, among other changes, Mr. Tutor agreed that the dividends that Tutor-Saliba would distribute to its shareholders prior to the closing would be limited to the amount of cash held by Tutor-Saliba and that the balance of any dividend would be paid in the form of notes.

On March 19, 2008, the Special Committee met at Perini's headquarters in Framingham, Massachusetts, together with its financial and legal advisors. Messrs. Klein and Arkley updated the other members of the Special Committee on the outcome of the prior day's negotiations with Mr. Tutor and the changes to which he had agreed to address the concerns with respect to available cash raised by the Special Committee. The Special Committee also asked additional questions of the representatives of UBS regarding its preliminary financial analyses of Tutor-Saliba, Perini and the proposed transaction presented at the last meeting of the Special Committee. The members of the Special Committee discussed Perini management's preliminary estimates of the projected effects of the proposed transaction on the earnings per share of the combined company.

Later that day, the Perini board of directors held a regularly scheduled meeting at Perini's headquarters in Framingham, Massachusetts, together with the Special Committee's financial and legal advisors. (Mr. Tutor did not attend the portion of the meeting during which the proposed transaction with Tutor-Saliba and all related matters were discussed.) At the meeting, Mr. Klein and representatives of Kirkland & Ellis reported to the other members of the Perini board of directors the status of negotiations and general terms of the proposed transaction between Perini and Tutor-Saliba. Mr. Klein indicated that the Special Committee expected to be able to make a formal recommendation to the board of directors within a few weeks.

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Following these meetings, the negotiation of the transaction agreements and due diligence and financial analyses of the transaction continued among the representatives of Tutor-Saliba, the Special Committee and their respective advisors. In addition, each of the companies prepared and circulated disclosure schedules required by the draft agreements.

Based on the status of the negotiations of the proposed transaction, Mr. Klein convened meetings of the Special Committee and the Perini board of directors to take place on March 27, 2008 in New York City to formally consider the terms of the proposed transaction. However, before those meetings commenced, Messrs. Tutor and Klein met and decided that the transaction structure should be altered to be simpler and to avoid raising complications under applicable securities laws that might delay completion of the transaction or have certain short-term negative securities law effects on Perini. Specifically, they agreed that, rather than creating a new holding company that would own both Perini and Tutor-Saliba, Tutor-Saliba would merge with and into a new wholly owned subsidiary of Perini and Perini (rather than a holding company) would continue as the surviving, publicly traded parent corporation in the transaction. This change was made in light of the discussions over the preceding weeks in which Perini, Tutor-Saliba and their respective advisors sought to determine the optimum structure of the transaction that would, among other things, (i) result in the transaction qualifying as a tax-free transaction to the parties, (ii) have the greatest speed and highest likelihood of obtaining shareholder approval and satisfying the other closing conditions, and (iii) minimize any adverse effects to the combined company under the federal securities laws (which would be more significant for a holding company structure). None of the discussions regarding the structure of the transaction involved any changes to the consideration to be paid in the transaction. Mr. Klein and Mr. Tutor also discussed and tried to finalize (which they did through a series of phone calls over the ensuing days) the ownership percentages at which the voting and transfer restrictions in the Shareholders Agreement would lapse and the amount of shares that the Tutor Group would be entitled to vote in its discretion until such time under the voting restrictions. They also resolved other pending issues in the transaction agreements.

Later on March 27, 2008, the Special Committee held a meeting in New York City, together with its financial and legal advisors. Mr. Klein and representatives of Kirkland & Ellis reported to the other members of Perini board of directors on the recent developments regarding the transaction structure and other negotiations regarding the transaction terms. In light of the revisions to the draft agreements required to implement the decision to revise the proposed transaction's structure, the Special Committee determined to delay formal consideration of the transaction.

At the conclusion of the meeting of the Special Committee, the Perini board of directors held a meeting in New York City, together with its financial and legal advisors. (Mr. Tutor did not participate in this meeting.) At the meeting, Mr. Klein and representatives of Kirkland & Ellis reported to the other members of the Special Committee on the recent developments regarding the transaction structure and other negotiations regarding the transaction terms. Mr. Klein indicated that he expected that the Special Committee would make a formal recommendation to the board of directors during the following week.

During the next several days, the negotiation of the transaction agreements (including refining and incorporating the revised transaction structure) and due diligence and financial analyses of the transaction continued among the representatives of Tutor-Saliba, the Special Committee and their respective advisors.

On the morning of April 2, 2008, Mr. Tutor and Mr. Klein met to finalize the negotiation of the remaining unresolved items in the transaction agreements, including the calculation of the precise number of shares to be issued in the merger, the terms on which Tutor-Saliba would be permitted to make the previously contemplated pre-closing dividends, the terms on which the transfer restrictions in the shareholders agreement would continue after five years and various terms of the employment agreement.

Later that day, the Special Committee held a meeting in New York City, together with its financial and legal advisors. Prior to the meeting, drafts of the Merger Agreement, Shareholders Agreement and Employment Agreement were circulated to the Special Committee members. At the meeting, Mr. Klein and representatives of

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Kirkland & Ellis reported to the other members of the Special Committee on the most recent developments regarding the transaction structure and other negotiations, reviewed the terms of the agreements and summarized the final terms of the proposed transaction. The representatives of Kirkland & Ellis again reviewed with the Special Committee its fiduciary duties in connection with its consideration of the transaction and reviewed with the Special Committee the results of its due diligence review of Tutor-Saliba. The representatives of UBS presented to the Special Committee UBS financial analyses of Tutor-Saliba, Perini and the proposed transaction and UBS delivered its oral opinion to the Special Committee, subsequently confirmed by delivery of UBS written opinion, dated April 2, 2008, to the effect that, as of such date, and based upon and subject to various assumptions, matters considered and limitations described in the opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to Perini, as more fully described below under [Opinion of UBS Securities LLC](#) beginning on page 56.

During a recess in the meeting of the Special Committee, the Compensation Committee of Perini's board of directors met to consider the terms of the Employment Agreement that had been negotiated with Mr. Tutor. Messrs. Arkley, Brittain and Kennedy also participated in the discussion, at the invitation of the Compensation Committee. After this discussion, the Compensation Committee directed Mr. Oneglia, the Chairman of the Compensation Committee, to discuss with Mr. Tutor certain changes to the Employment Agreement that members of the Committee thought would be desirable. Mr. Oneglia then met with Mr. Tutor but was unable to obtain Mr. Tutor's assent to the requested changes. The Compensation Committee then re-convened, and after further discussion of the terms of the Employment Agreement and the value to the combined company of having Mr. Tutor committed for the next five years, unanimously approved the Employment Agreement.

The Special Committee then reconvened and unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Perini common stock in the merger and the amendment of the Perini amended and restated articles of organization, are advisable, fair to and in the best interests of Perini and Perini shareholders and recommended that the Perini board of directors approve the Merger Agreement and the transactions contemplated thereby. The factors considered by the Special Committee in making this determination and recommendation are more fully described below under [Reasons for the Merger](#) Special Committee beginning on page 45.

At the conclusion of the meeting of the Special Committee, the Perini board of directors held a meeting in New York City, together with representatives of UBS and Kirkland & Ellis and the outside legal counsel of the Perini board of directors. At the meeting, Mr. Klein informed the Perini board of directors of the determinations and recommendations of the Special Committee with respect to the proposed transaction, reviewing all its material terms. The representatives of UBS presented to the Perini board of directors UBS financial analyses of Tutor-Saliba, Perini and the proposed transaction and informed the board of directors that UBS had rendered an opinion to the Special Committee to the effect that, as of April 2, 2008, and based upon and subject to various assumptions, matters considered and limitations described in the opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to Perini. The representatives of Kirkland & Ellis separately summarized the final terms of the transaction and the transaction agreements and reviewed with the directors their fiduciary duties in connection with their consideration of the transaction. Following deliberations, the board of directors unanimously (excluding Mr. Tutor, who did not participate in the meeting) determined that the Merger Agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Perini common stock in the merger and the amendment of the Perini amended and restated articles of organization, are advisable, fair to and in the best interests of Perini and Perini shareholders, approved the Merger Agreement and the transactions contemplated thereby and recommended that Perini shareholders vote for the proposal to approve the issuance of shares of Perini common stock in the merger and the proposal to approve the amendment of the Perini amended and restated articles of organization. The factors considered by the Perini board of directors in making this determination and recommendation are more fully described below under [Reasons for the Merger](#) Perini Board of Directors beginning on page 52.



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Following these meetings, the Merger Agreement, the Shareholders Agreement and the Employment Agreement were executed. Perini and Tutor-Saliba issued a joint press release announcing the merger and the execution of the agreements on the evening of April 2, 2008.

During the week of May 19, 2008, representatives of Tutor-Saliba asked representatives of the Special Committee whether they agreed that the Merger Agreement as executed did not adequately reflect Tutor-Saliba's ability to make tax distributions to its shareholders through the closing date of the merger. In response, the parties agreed that the Merger Agreement as executed did not expressly permit Tutor-Saliba shareholders to receive tax distributions intended to cover all such income taxes, as had been agreed orally. Following discussion of this issue among the parties and their respective financial and legal advisors, the parties agreed that this issue should be clarified in an amendment to the Merger Agreement to more clearly and fully reflect that understanding of the parties.

On May 26, 2008, Kirkland & Ellis delivered to Tutor-Saliba and its advisors a draft of an amendment to the Merger Agreement to make this clarification.

On May 27, 2008, the Special Committee held a meeting by teleconference, together with its financial and legal advisors. Following discussion of the amendment and an update by the Special Committee's advisors on the discussions regarding the amendment, the Special Committee determined that the proposed amendment to the Merger Agreement and the transactions contemplated thereby properly reflected the original business understandings and intentions of the parties with respect to tax distributions by Tutor-Saliba to its shareholders and were advisable, fair to and in the best interests of Perini and Perini shareholders and recommended that the Perini board of directors approve the amendment to the Merger Agreement. At the conclusion of the meeting of the Special Committee, the Perini board of directors held a meeting by teleconference, together with the Special Committee's legal advisors. At the meeting, Mr. Klein, Chairman of the Special Committee, informed the Perini board of directors of the determinations and recommendations of the Special Committee (and the discussions between the Special Committee and its advisors) with respect to the proposed amendment to the Merger Agreement. Following discussion of the amendment, the Perini board of directors (excluding Mr. Tutor, who did not participate in the meeting) determined that the proposed amendment to the Merger Agreement and the transactions contemplated thereby were advisable, fair to and in the best interests of Perini and Perini shareholders and approved the amendment and the transactions contemplated thereby.

The amendment to the Merger Agreement was executed on May 28, 2008.

**Recommendation of the Perini Board of Directors**

The Perini board of directors unanimously (excluding Mr. Tutor, who did not participate in the meeting) determined that the Merger Agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Perini common stock in the merger and the amendment of the Perini amended and restated articles of organization, are advisable, fair to and in the best interests of Perini and Perini shareholders and approved the Merger Agreement and the transaction contemplated thereby. ***THE PERINI BOARD OF DIRECTORS RECOMMENDS THAT PERINI SHAREHOLDERS VOTE FOR THE SHARE ISSUANCE PROPOSAL AND THE ARTICLES AMENDMENT PROPOSAL.***

**Reasons for the Merger**

**Special Committee**

The Special Committee, with the advice and assistance of its independent legal and financial advisors, evaluated and negotiated the terms of the merger on behalf of Perini, including the terms and conditions of the Merger Agreement and the other related agreements, over the course of almost four months of deliberations. On April 2, 2008, the Special Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Perini common stock in the merger and the

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amendment of the Perini amended and restated articles of organization, are advisable, fair to and in the best interests of Perini and the Perini shareholders and recommended that the Perini board of directors approve the Merger Agreement and the transactions contemplated thereby.

In reaching its decision to recommend that the Perini board of directors approve the Merger Agreement and the transactions contemplated thereby, the Special Committee consulted with Perini management, other members of the Perini board of directors (excluding Mr. Tutor) and the Special Committee's independent advisors in connection with the merger, including UBS, the Special Committee's financial advisor, and Kirkland & Ellis LLP, the Special Committee's outside legal counsel, and considered various material factors described below. Among the material information and factors considered by the Special Committee were the following:

*Strategic Considerations.* The Special Committee considered a number of factors pertaining to the strategic rationale for the merger, including the following:

*Increased Size and Scale and Management Capabilities; Potential Impact on Margins.* The combined company will have enhanced size and scale, including a pro forma backlog at the end of 2007 in excess of \$9 billion and over \$40 billion of targeted projects. In addition, the Special Committee considered the faster rate of projected growth of Tutor-Saliba, as compared to other comparable companies in the construction industry (including Perini on a stand-alone basis), and considered the likelihood that such projected growth would be achievable. The combination also is expected to enhance Perini's growth prospects significantly by adding substantial management capacity, client relationships and other capabilities to Perini, such as increased ability to perform its own subcontracting work through Tutor-Saliba's plumbing and mechanical and electrical subcontracting subsidiaries, and cost efficiencies. The larger size and scale of the combined company also should result in enhanced opportunities for growth, improved gross margins and greater operational flexibility because of additional access to markets, greater depth of resources of the combined company (including enhanced project management and estimating capabilities and a larger equipment fleet), enhanced focus on project process and execution and stronger experience in change management. The Special Committee also noted that larger publicly traded engineering and construction companies generally trade at higher multiples to actual and forecasted EBITDA than smaller publicly traded engineering and construction companies.

*Complementary Geographic Scope of Businesses.* Perini has focused its civil business segment on the Northeast and Southeast of the United States and the Middle East. Tutor-Saliba's civil business segment has focused more of its business on the West Coast and Southwest of the United States, the island of Guam and the Philippines. Both companies have commercial operations in the West, particularly in California and Nevada. Accordingly, the Special Committee determined that the merger will allow Perini to increase the diversification of its civil business through multiple geographic regions, which is expected to permit the combined company to compete for a larger number of projects, increase Perini's profile and local experience in public works projects in geographic regions that it has not historically served, decrease the costs of performing public works projects in regions not historically served by Perini and decrease Perini's exposure to regional economic downturns. Based on expectations for future public works and infrastructure spending, the Special Committee determined that the geographic areas in which Tutor-Saliba has more of a historical focus than Perini would likely be key growth markets for the combined company.

*Complementary Assets and Areas of Expertise; Expanding and Improving Civil Operations.* The merger will combine companies with complementary assets and areas of expertise, particularly Perini's larger building operations and Tutor-Saliba's expertise in civil projects. The combined company is expected to be able to draw upon the intellectual capital, technical expertise and experience of a deeper and more diverse workforce. In particular, the merger is expected to improve the performance and scope of Perini's civil segment once Tutor-Saliba's highly successful civil construction business can be integrated with Perini's civil segment. Tutor-Saliba's civil construction business has historically achieved substantially higher margins on its projects

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than similar Perini civil projects. Over a five year period Tutor-Saliba has averaged 15% gross margins on its civil projects. With the integration of these businesses, sharing of management experience and best practices and expansion of capabilities, the parties expect to improve the operation and performance of both businesses, and Perini's civil businesses in particular.

*Increased Ability to Leverage Combined Surety Capacity; Operational Flexibility from Strong Combined Balance Sheet.* The combined company is expected to have an increased ability to obtain surety bonding, which will permit the combined company to compete for and perform a wider range of civil projects than Perini has historically. The combined company will be able to use the stronger balance sheet of the combined company (in particular as compared to the historical strength of Tutor-Saliba's balance sheet) to facilitate obtaining greater surety capacity, which will support larger civil projects in which Tutor-Saliba has significant experience but which Tutor-Saliba might otherwise be limited in pursuing given its independent surety capacity. In addition, the Special Committee noted that the all-stock nature of the transaction would permit Perini to retain the cash on its balance sheet without using it for acquisition consideration. (In evaluating these matters, the Special Committee took into account that under the terms of the Merger Agreement Tutor-Saliba would be permitted to dividend a portion of its available cash balances to its shareholders prior to completion of the merger, so that the merger would not materially add to the combined company's cash balances upon closing.)

*Consolidation of Mr. Tutor's Management Activities.* As discussed below, the merger will consolidate Mr. Tutor's management activities on the growth and development of the combined company, and eliminate any conflicts of interest that existed as a result of his role as an executive of two companies with responsibilities to each company.

*Expected Ability to Integrate Operations.* Perini is very familiar with the operations of Tutor-Saliba, as Mr. Tutor is an executive of both companies and the companies have collaborated on numerous joint ventures for many years. In addition, both Perini and Tutor-Saliba have each completed recent acquisitions of businesses and have a strong record of accomplishment of successfully integrating companies in various business combination transactions. The Special Committee took note of these considerations in evaluating the likelihood that the operations of the two companies could be integrated successfully and efficiently.

*Continued Role of Ronald N. Tutor; Terms of the Employment Agreement and Shareholders Agreement.* In connection with the execution of the Merger Agreement, Mr. Tutor signed an Employment Agreement with Perini, to take effect upon the closing of the merger, in which he has agreed to serve on a full-time basis as the chairman of the Perini board of directors and chief executive officer of Perini following the completion of the merger. (He has held these positions on a part-time basis to date, sharing his time between Perini and Tutor-Saliba). The Special Committee determined that Mr. Tutor's potential departure from Perini could have significant adverse effects on Perini's future success on a stand-alone basis, and that his full-time employment with Perini in connection with the completion of the merger would mitigate the risk of those adverse effects on Perini's operations being realized. In the Special Committee's opinion, Mr. Tutor's continued participation was important because of (i) his proven track-record in successfully bidding on and profitably managing large construction projects, (ii) his relationships with principals in the surety and bonding industry, which provides enhanced access to bonding and insurance for Perini's construction projects, and (iii) his success in managing large civil and private construction projects on a fixed price basis. The Employment Agreement provides for an initial term of five years. The Special Committee also insisted that a significant amount of Mr. Tutor's personal net worth, including through two trusts controlled by him, would be tied to the performance of the combined company. Subject to certain exceptions, the Shareholders Agreement requires that he retain all of the shares of Perini common stock he will receive in the merger (either personally or through the Tutor Group) for six months after the closing of the merger and that 70% of those shares be retained for at least five years after the closing of the merger. Please see "The Employment Agreement" beginning on page 83 for a detailed discussion of the terms

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and conditions of the Employment Agreement and The Shareholders Agreement beginning on page 81 for a detailed discussion of the terms and conditions of the Shareholders Agreement.

*Fixed Exchange Ratio; Basis of Negotiation of Price.* The Special Committee considered that the number of shares to be issued in the merger will not adjust to compensate for changes in the market price of Perini common stock prior to the closing of the merger. The Special Committee determined this to be particularly important in light of recent declines in the trading price of Perini common stock at the time of the negotiations of the merger, as compared to historic prices, the trading history and multiples of comparable companies and recent negative announcements regarding the commercial construction business, particularly including some of the markets in which Perini is heavily involved (such as the hospitality and gaming industry in Las Vegas, Nevada). The Special Committee noted that the economic terms of the merger were negotiated on the basis of the implied relative values of the companies, rather than valuing the consideration to be paid in the merger to the Tutor-Saliba shareholders on the basis of the market price for Perini common stock, which the Special Committee considered to be depressed.

*Financial Considerations.* The Special Committee considered the expected financial impact of the merger on Perini, including that the merger is expected to be dilutive in 2008 (assuming completion in the third quarter of 2008) and accretive to Perini shareholders after 2008 and that the accretive nature of the transaction would be expected to result in increased earnings per share of Perini common stock. The Special Committee also considered the historic financial condition, operating results and businesses of Perini and Tutor-Saliba, including information with respect to their respective earnings histories. Please see Projected Financial Information beginning on page 53.

*Synergies.* The Special Committee considered that, although no assurance can be given that any particular level of cost savings and other synergies will be achieved, Perini and Tutor-Saliba management had identified estimated synergies of approximately \$39 million of additional pre-tax earnings in 2009 (assuming the merger is completed in the third quarter of 2008), with increasing amounts in subsequent period projected to grow to approximately \$72 million of additional pre-tax earnings in 2012, that it expected could be realized following completion of the merger, most of which would begin to be realized in calendar year 2009 (assuming the merger closes in the third quarter of 2008). These include the ability to maintain or improve the earnings from operations of Perini's civil business (which the Special Committee believed would not add to the overall profitability of Perini if Mr. Tutor ceased to be employed by Perini), benefits from the shared access to management from both companies and enhanced operating margin through increased self-performance capabilities. The Special Committee took note of the fact that the synergy amounts were estimates, that they could change and that achieving the synergies would be subject to a number of uncertainties. In addition, the Special Committee did not compare the estimated synergies related to the merger to synergies of other potential transactions because Perini was not actively considering any other potential business combination transaction.

*Financial Presentation and Opinion of UBS Securities LLC.* The Special Committee considered the financial analyses and presentation of UBS, as presented to the Special Committee on April 2, 2008, and the opinion of UBS rendered orally to the Special Committee on April 2, 2008, which was subsequently confirmed by delivery of UBS' written opinion, dated April 2, 2008, to the effect that, as of such date, and based upon and subject to various assumptions, matters considered and limitations described in the opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to Perini, as more fully described below under Opinion of UBS Securities LLC beginning on page 56.

*Post-Merger Corporate Governance; Terms of the Shareholders Agreement.* The Special Committee considered the corporate governance provisions of the Merger Agreement and the Shareholders Agreement, including that, upon completion of the merger, the Perini board of directors will continue to be comprised of a majority of independent directors selected by the Corporate Governance and Nominating Committee of the Perini board of directors (all of which are currently expected to be directors elected by Perini shareholders prior to the merger, including the new Class III director nominees) and that Mr. Tutor will continue to serve as chairman of the Perini board of directors and chief executive officer of the combined company. In addition, the Shareholders Agreement requires

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that, for at least three years following the merger (and longer if Mr. Tutor (either personally or through the Tutor Group) continues to hold at least 20% of the outstanding shares of Perini common stock), all of the shares of Perini common stock that Mr. Tutor will receive in the merger (either personally or through the Tutor Group) will be voted in favor of this slate of directors, Mr. Tutor (either personally or through the Tutor Group) will exercise voting control of no more than 20% of the outstanding shares of Perini common stock on all other matters and Mr. Tutor (personally and on behalf of trusts controlled by him) will refrain from taking certain actions that could facilitate an unsolicited acquisition of control of Perini by Mr. Tutor or his affiliates. In addition, the Shareholders Agreement includes transfer restrictions that will limit the right of Mr. Tutor to recognize a change of control premium on the sale of the shares of Perini common stock he will receive in the merger (either personally or through trusts controlled by him) without all other shareholders also receiving that premium. Collectively, these provisions are expected to ensure that all shareholders of the combined company continue to have broad representation and voting authority with respect to the combined company. Please see

Post-Merger Governance and Management beginning on page 85 and The Shareholders Agreement beginning on page 81 for further information and a detailed discussion of the terms and conditions of the Shareholders Agreement.

*Terms of the Merger Agreement.* The Special Committee reviewed and considered the terms of the Merger Agreement and considered that, in its view, the material terms of the Merger Agreement, taken as a whole, were reasonable for an arms -length acquisition transaction. In particular, the Special Committee considered the representations and warranties made by Tutor-Saliba and its shareholders in the Merger Agreement, the restrictions on the operation of the Tutor-Saliba business from the signing of the Merger Agreement until the closing of the merger and the other covenants of Tutor-Saliba and its shareholders in the Merger Agreement, the conditions to each party s obligation to complete the merger and the rights of indemnification of each party to the Merger Agreement for losses as a result of breaches of the Merger Agreement. The Special Committee also considered that the Merger Agreement permitted the Perini board of directors and the Special Committee to consider and engage in negotiations regarding unsolicited potentially superior proposals, to withdraw or otherwise change its recommendation to Perini shareholders in favor of the proposals related to the merger for any reason if the failure to take such action would be reasonably likely to result in a breach of its fiduciary obligations and to terminate the Merger Agreement to accept a superior proposal. Please see The Merger Agreement beginning on page 68 for a detailed discussion of the terms and conditions of the Merger Agreement.

*Likelihood of Completion of the Merger.* The Special Committee considered the likelihood that the merger will be completed on a timely basis, including the likelihood that the merger will receive all necessary regulatory approvals without unacceptable conditions.

*Due Diligence.* The Special Committee considered the scope of the due diligence investigation of Tutor-Saliba conducted by members of Perini management and Perini s and the Special Committee s outside advisors and evaluated the results thereof. The Special Committee also took account Perini s familiarity with the Tutor-Saliba business, including that from a history of joint ventures between the two companies.

*Strategic Alternatives.* The Special Committee considered the trends and competitive developments in the industry and the range of strategic alternatives available to Perini, including the possibility of business combinations with other participants in the industry or continuing to operate as a stand-alone entity. At the time of its consideration of the merger, Perini was not involved in discussions regarding any other business combination transaction. The Special Committee decided not to pursue alternative transactions with other participants in the industry or continue as a stand-alone entity for several reasons, including (1) the current trends and competitive developments in the industry, including the overall decline in market value in the industry, (2) the risk that Perini might lose the current opportunity to pursue a business combination transaction with Tutor-Saliba; and (3) the Special Committee s belief that completion of the merger would not preclude the pursuit of any potential strategic alternatives for Perini in the future (other than remaining as a stand-alone company without the acquisition of the Tutor-Saliba business).

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*Impact of the Merger on Customers and Employees.* The Special Committee evaluated the expected impact of the merger on Perini's customers and employees and the benefits that would be derived from the merger by enhancing operations and by providing more opportunities for employees in a larger, more competitive company.

The Special Committee also considered potential risks associated with the merger, including the following:

*Tutor-Saliba Business Risks.* The Special Committee considered certain risks associated with Tutor-Saliba's business and operations, including the likelihood of winning future significant projects, risks associated with recent acquisitions completed by Tutor-Saliba (including uncertainty about Tutor-Saliba's ability to operate and grow the acquired businesses successfully), the fact that Tutor-Saliba has grown significantly over the last two years, the fact that a small number of customers account for a large percentage of Tutor-Saliba's revenues and Tutor-Saliba's various contingent liabilities. In particular, the Special Committee considered the faster rate of projected growth of Tutor-Saliba, as compared to other comparable companies (including Perini on a stand-alone basis), and considered the risks that such projected growth would not be achievable and, if not achieved, the adverse effects that could have on the Special Committee's expectations for the combined company's performance and the corresponding decrease in the expected equity value of shares of Perini common stock. In addition, the Special Committee considered the fact that, as a result of the merger, certain business risks related to Tutor-Saliba may have the effect of increasing the effect of existing risks related to Perini for the combined company. These include the risks posed to Perini (and the combined company) from the hospitality and gaming industry, particularly in Las Vegas, Nevada, as Tutor-Saliba is subject to similar risks based on its operations in Las Vegas, Nevada. Please see "Risk Factors" beginning on page 25 for additional information on business risks relating to Tutor-Saliba's impact on the combined business.

*Uncertainty of Projections and Judgments About Implied Relative Values.* The Special Committee took account of the fact that the projections and valuation methodologies used in assessing the relative values of Tutor-Saliba and Perini, developing estimates of potential synergies and negotiating the economic terms of the merger are inherently uncertain, as they involve estimates, judgments, assumptions and predictions about future events that may differ significantly from what actually occurs in the future. While the Special Committee took into consideration, in evaluating the projections, synergy estimates and valuations, the views of the management teams of the two companies, the advice of its outside advisors and the Special Committee members' own knowledge of and experience with the industry and the businesses, the Special Committee carefully considered and discussed the risks and uncertainties associated with all of these matters and also considered various disagreements and differences of views between different constituencies about the future prospects for each of Perini and Tutor-Saliba, both on a stand-alone basis and as part of a combined company. Ultimately, while the Special Committee made determinations about what it believed were the most reasonable and appropriate assumptions and estimates, it did so with a full understanding of the uncertainties and risks inherent in such determinations. For a further discussion of these risks, please see "Risk Factors" beginning on page 25.

*No Public Market Value for Tutor-Saliba.* Tutor-Saliba is a privately held corporation and, accordingly, there is no public equity market valuation of Tutor-Saliba. In the opinion of the Special Committee (after consideration of information provided by its financial advisor), there are not any publicly traded companies that are sufficiently closely comparable with Tutor-Saliba to provide a reasonably, comparative basis of valuation for Tutor-Saliba. Furthermore, any valuation of Tutor-Saliba is dependent on an estimate of the extent to which Tutor-Saliba will be able to achieve its forecasted operating results, which include high growth rates that may or may not be obtained, as well as significant anticipated growth for recently acquired businesses and for new markets (particularly in the island of Guam). While the Special Committee recommended that the Perini board of directors approve the Merger Agreement (including the consideration to be paid in the merger), the Special Committee considered these uncertainties and limitations and took into account the possibility that the public

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markets might reach a different conclusion in assessing the value of Tutor-Saliba or might be uncertain (or skeptical) about any value because of the informational limits and inherent uncertainties in valuing a privately owned business projecting substantial future growth. The Special Committee also considered that the actual operating results of Tutor-Saliba could be significantly different from its forecasted operating results, and accordingly the market price of Perini common stock could be particularly volatile as a result of the merger. Please see *Risk Factors* If the public markets assign lower values to the Tutor-Saliba business than the values used in negotiating the terms of the merger, the trading price of Perini common stock may decline. beginning on page 25.

*Termination Fee; Alternative Proposals.* The Special Committee considered the restrictions that the Merger Agreement imposes on actively soliciting alternative business combination transactions, the provisions of the Merger Agreement that require the reimbursement by Perini of up to \$5 million of transaction expenses of Tutor-Saliba following certain events of termination of the Merger Agreement and the provisions of the Merger Agreement that require the potential payment by Perini of a termination fee of \$30 million following a termination of the Merger Agreement and the consummation of an alternative transaction. The Special Committee understood that these provisions may have the effect of discouraging proposals for alternative business combinations for Perini until after the completion of the merger (or the earlier termination of the Merger Agreement) and may make it less likely that the transactions related to such alternative proposals would be negotiated or pursued during such period, even if they might be more favorable to the shareholders of Perini than the merger. Please see *The Merger Agreement Termination Termination Fees/Reimbursement of Expenses* beginning on page 80 for further information regarding such restrictions and fees and expenses.

*Employee Matters.* The Special Committee considered the impact that business uncertainty pending completion of the merger could have on the ability to attract, retain and motivate key personnel until the merger is completed.

*Additional Interests of Executive Officers and Directors.* The Special Committee considered that certain executive officers and directors of Perini (in particular, Mr. Tutor) have or may have interests with respect to the merger in addition to their interests as shareholders of Perini. Please see *Additional Interests of Directors, Executive Officers and Certain Beneficial Owners* beginning on page 65 for further information on these additional interests.

*Restrictions on Interim Operations.* The Special Committee considered the provisions of the Merger Agreement placing restrictions on Perini's operations during the period between the signing of the Merger Agreement and the completion of the merger. Please see *The Merger Agreement Covenants Restrictions on the Parties Business Prior to the Closing* beginning on page 72 for further information on these restrictions.

*Diversion of Management.* The Special Committee considered the possible diversion of management's time and attention from Perini's ongoing business due to the substantial time and effort necessary to complete the merger and plan for and implement the integration of the operations of Perini and Tutor-Saliba.

The Special Committee believed that, overall, the potential benefits of the merger to Perini and its shareholders outweighed the risks.

On May 27, 2008, the Special Committee determined that an amendment to the Merger Agreement to clarify the right of Tutor-Saliba to make certain tax distributions and the transactions contemplated thereby were advisable, fair to and in the best interests of Perini and Perini shareholders and recommended that the Perini board of directors approve the amendment to the Merger Agreement and the transactions contemplated thereby. In reaching its decision, the Special Committee consulted with Perini management and the Special Committee's financial and legal advisors. The Special Committee determined that (i) the proposed amendment and the transactions contemplated thereby properly reflected the original business understandings and intentions of the parties with respect to tax distributions by Tutor-Saliba to its shareholders, (ii) the revisions contemplated by the

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amendment, if present in the Merger Agreement as initially executed, would not have changed its decision on April 2, 2008 with respect to the Merger Agreement, and (iii) agreeing to the amendment was in the best interests of the long-term relationship of the parties.

Please see Additional Information about Factors Considered by the Special Committee and the Perini Board of Directors beginning on page 53 for further information about the considerations of the Special Committee.

**Perini Board of Directors**

On April 2, 2008, the Perini board of directors unanimously (excluding Mr. Tutor, who did not participate in the meeting) determined that the Merger Agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Perini common stock in the merger and the articles amendment proposal, are advisable, fair to and in the best interests of Perini and Perini shareholders, approved the Merger Agreement and the transaction contemplated thereby and recommended that Perini shareholders vote **FOR** the share issuance proposal and the articles amendment proposal.

In reaching its decision to approve the Merger Agreement and the transactions contemplated thereby and recommend that Perini shareholders vote **FOR** the share issuance proposal and the articles amendment proposal, the Perini board of directors consulted with Perini management, the Special Committee, and the separate outside counsel to Perini, considered various material factors described below, and received presentations from Kirkland & Ellis regarding the Merger Agreement and the related transaction documents and from UBS regarding its financial analyses, and had an opportunity to ask questions of the Special Committee, its advisors and Perini management. Among the material information and factors considered by the Perini board of directors were the following:

*Negotiation by Special Committee.* The Perini board of directors considered the fact that the Merger Agreement and the transactions contemplated thereby were negotiated on behalf of Perini by the Special Committee with the assistance of its independent financial and legal advisors, and the support of Perini management. The Special Committee was comprised entirely of directors who are not officers of Perini or Tutor-Saliba or affiliated with Tutor-Saliba or Mr. Tutor and will not personally benefit from the completion of the merger in a manner different from the unaffiliated Perini shareholders.

*Recommendation of the Special Committee.* The Perini board of directors considered the unanimous determination of the Special Committee that the Merger Agreement and the transactions contemplated thereby, including the merger, the issuance of shares of Perini common stock in the merger and the amendment of the Perini amended and restated articles of organization, are advisable, fair to and in the best interests of Perini and Perini shareholders and the unanimous recommendation of the Special Committee that the Perini board of directors approve the Merger Agreement and the transactions contemplated thereby.

*Factors Considered by the Special Committee.* The Perini board of directors discussed with the Special Committee and considered the factors considered by the Special Committee in reaching its recommendation, including the positive factors and potential benefits of the merger and the risks and other potentially negative factors concerning the merger, as described above. The Perini board of directors also took note of the fact that the Special Committee received advice from its legal and financial advisors and considered the content of the presentations made directly to the Perini board of directors by the Special Committee's advisors.

The Perini board of directors believed that, overall, the potential benefits of the merger to Perini and its shareholders outweighed the risks.

On May 27, 2008, the Perini board of directors (excluding Mr. Tutor, who did not participate in the meeting) determined that an amendment to the Merger Agreement to clarify the right of Tutor-Saliba to make certain tax distributions and the transactions contemplated thereby were advisable, fair to and in the best interests of Perini and Perini shareholders and approved the amendment and the transactions contemplated thereby. In reaching its



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decision, the Perini board of directors consulted with Perini management, the Special Committee and the Special Committee's legal advisors. The Perini board of directors considered the recommendation of the Special Committee with respect to the amendment and determined that (i) the proposed amendment and the transactions contemplated thereby properly reflected the original business understandings and intentions of the parties with respect to tax distributions by Tutor-Saliba to its shareholders, (ii) the revisions contemplated by the amendment, if present in the Merger Agreement as initially executed, would not have changed its decision on April 2, 2008 with respect to the Merger Agreement, and (iii) agreeing to the amendment was in the best interests of the long-term relationship of the parties.

***THE PERINI BOARD OF DIRECTORS RECOMMENDS THAT PERINI SHAREHOLDERS VOTE FOR THE SHARE ISSUANCE PROPOSAL AND THE ARTICLES AMENDMENT PROPOSAL.***

Please see Additional Information about Factors Considered by the Special Committee and the Perini Board of Directors beginning on page 53 for further information about the considerations of the Perini board of directors.

**Additional Information about Factors Considered by the Special Committee and the Perini Board of Directors**

The foregoing discussion summarizes the material factors considered by the Special Committee and the Perini board of directors in their respective considerations of the merger, however, it is not intended to be exhaustive. In view of the wide variety of factors considered by the Special Committee and the Perini board of directors in connection with their respective evaluations of the merger, neither the Special Committee nor the Perini board of directors considered it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decisions. In considering the factors described above, individual members of the Special Committee or the Perini board of directors may have given different weight to different factors. The Special Committee and the Perini board of directors each considered this information as a whole and overall considered the information and factors to be favorable to, and in support of, its determinations and recommendations.

The Special Committee and the Perini board of directors each realized that there can be no assurance about future results, including results considered or expected as described in the factors listed above, such as assumptions regarding potential synergies. It should be noted that this explanation of the factors considered by the Special Committee and the Perini board of directors and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Note Regarding Forward-Looking Statements beginning on page 19.

**Projected Financial Information**

Although Perini periodically may issue limited guidance to investors concerning its expected financial performance, Perini does not as a matter of course publicly disclose detailed financial projections. However, in connection with the negotiation of the merger, Perini management provided the Special Committee and its financial advisor with certain non-public financial projections that were prepared by the Perini management for internal planning purposes and not for public disclosure. Mr. Tutor did not participate in the preparation of Perini's base case projections. Similarly, Tutor-Saliba management provided the Special Committee and its financial advisor with certain non-public financial projections that were prepared by the Tutor-Saliba management for internal planning purposes and not for public disclosure.

The Special Committee reviewed, challenged and independently assessed the projections of financial performance for each of Perini and Tutor-Saliba proposed by each company's management, respectively. The Special Committee refined and revised its assessment of the projections of financial performance of each company from time to time prior to the April 2, 2008 signing of the Merger Agreement, taking into account discussions with each company's management, its own views and the views of the other directors of Perini, to create a set of projections for each company and an estimate of synergies for the combined company that reflected the best currently available estimates and judgments of the Special Committee of the future financial

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performance of the two companies and the combined company (reflecting the estimated synergies). The projections reflecting all refinements and revisions by the Special Committee prior to the April 2, 2008 signing of the Merger Agreement are referred to as the Special Committee case projections.

The Special Committee case projections, together with other relevant information regarding the two companies and the proposed transaction, were provided to UBS prior to the delivery of UBS' opinion, and the Special Committee directed UBS to utilize the Special Committee case projections for purposes of UBS' analysis. Information regarding the material portions of the Special Committee case projections are summarized below.

The Special Committee case projections were prepared based upon a variety of estimates and assumptions. The estimates and assumptions underlying the financial projections of Perini, Tutor-Saliba and the synergies for the combined company included in the Special Committee case projections involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions, which are difficult to predict. While the financial projections summarized below were prepared in good faith by the Special Committee, no assurance can be given regarding future events, many of which are beyond Perini's control. Therefore, these financial projections may not be reliable or predictive of future operating results, and this information should not be relied on as such. Please see Risk Factors beginning on page 25 for additional information regarding the risks that the financial projections may not be achieved. At the time the merger was considered, the Special Committee and the Perini board of directors were aware of the foregoing limitations in respect of the Special Committee case projections.

The financial projections in this section were not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or published guidelines of the SEC regarding financial projections, but, in the view of the Special Committee, were reasonably prepared on a basis reflecting the best currently available estimates and judgments as of the date of their preparation. Neither Perini's nor Tutor-Saliba's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to these financial projections, nor have they, nor either of Perini's or Tutor-Saliba's respective financial advisors, expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, these financial projections. These financial projections are not historical fact and should not be relied upon as being necessarily indicative of actual future results. In light of the foregoing, and considering that the Perini annual meeting at which the merger proposals will be considered and voted upon will be held more than [ ] months after the date that the underlying financial projections from each management team were provided to the Special Committee and more than [ ] months after the date that the Special Committee last revised the Special Committee case projections, as well as the uncertainties inherent in any financial projections, Perini shareholders are cautioned not to unduly rely on these financial projections.

The inclusion of the descriptions below of the Special Committee case projections should not be interpreted as an indication that Perini considers this information necessarily reliable for predicting actual future results, and this information should not be relied on for that purpose. In particular, due to the passage of time since the preparation of these financial projections, the projected events for certain of the periods presented have been superceded by events that have occurred to date, and accordingly, the estimates and assumptions underlying the Special Committee case projections are outdated. These projections are not included in this document in order to induce any Perini shareholder to vote to approve the merger proposals or to impact any investment decision with respect to the Perini common stock. Please see Note Regarding Forward-Looking Statements beginning on page 19.

**PERINI DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THESE PROJECTIONS TO REFLECT CIRCUMSTANCES EXISTING SINCE THEIR PREPARATION OR TO REFLECT THE OCCURRENCE OF SUBSEQUENT EVENTS EVEN IN THE EVENT THAT ANY OR ALL OF THE UNDERLYING ASSUMPTIONS ARE NO LONGER APPROPRIATE.**

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Set forth below is a summary of the Special Committee case projections of financial performance of Perini on a stand-alone basis:

***Summary of Perini Stand-Alone Financial Projections***

(all amounts are in millions and are approximate)

	2008	2009	2010	2011	2012
Revenue	\$ 5,485	\$ 5,378	\$ 5,523	\$ 5,747	\$ 5,980
EBITDA (1)	\$ 157	\$ 151	\$ 165	\$ 176	\$ 181
Income From Construction Operations (EBIT)	\$ 145	\$ 136	\$ 151	\$ 152	\$ 154
Operating Margin	2.6%	2.5%	2.7%	2.6%	2.6%

(1) EBITDA is defined as income from construction operations plus depreciation and amortization.

The projected financial information set forth above reflects certain assumptions, which may cause the initial financial projections to vary significantly from actual financial results. In addition to those assumptions noted above, significant assumptions underlying the Special Committee case projections of financial performance of Perini on a stand-alone basis set forth above include the following:

Mr. Tutor would not continue as the chairman of the Perini board of directors and chief executive officer of Perini if the merger were not completed, and his services would otherwise cease to be available to Perini;

Without Mr. Tutor's leadership, the financial performance of Perini's civil business segment would produce break-even profit margins during 2008 and subsequent periods;

Perini's building segment would be able to maintain levels of backlog approximately equal to existing backlog and recognize the revenue resulting from that backlog, including by being awarded new work not previously included in backlog as existing projects are performed;

given expected changes in the markets in which Perini Management Services, Inc. (referred to in this proxy statement as PMSI) has operations, the profitability of PMSI's operations would decline from that of its recent profitability, although the profitability would remain positive through subsequent periods; and

Perini would not acquire any additional businesses.

*Tutor-Saliba*

Set forth below is a summary of the Special Committee case projections of financial performance of Tutor-Saliba on a stand-alone basis:

***Summary of Tutor-Saliba Stand-Alone Financial Projections***

(all amounts are in millions and are approximate)

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	2008	2009	2010	2011	2012
Revenue	\$ 1,476	\$ 1,942	\$ 2,588	\$ 2,313	\$ 2,464
EBITDA (1)	\$ 100	\$ 162	\$ 213	\$ 207	\$ 224
Income From Operations (EBIT)	\$ 96	\$ 155	\$ 206	\$ 196	\$ 210
Operating Margin	6.5%	8.0%	8.0%	8.5%	8.5%

(1) EBITDA is defined as income from operations plus depreciation and amortization.

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The projected financial information set forth above reflects certain assumptions, which may cause the initial financial projections to vary significantly from actual financial results. In addition to those assumptions noted above, significant assumptions underlying the Special Committee case projections of financial performance of Tutor-Saliba on a stand-alone basis set forth above include the following:

Tutor-Saliba's domestic building segment's revenue base would have strong growth reflecting the growth plans of Perini's clients and other participants in the Las Vegas, Nevada building market for the next several years, taking into account projects for which Tutor-Saliba was in advanced discussions, and thereafter Tutor-Saliba's domestic building segment would be able to maintain levels of backlog approximately equal to its then existing backlog and recognize the revenue resulting from that backlog, including by being awarded new work not previously included in backlog as then existing projects are performed;

Tutor-Saliba's civil business segment's revenue base would have strong near-term growth by maintaining its traditional market in what is expected to be a growing market for infrastructure spending in areas in which Tutor-Saliba has civil operations;

businesses acquired by Tutor-Saliba in 2007 and early 2008: Powerco Electric Corp., an electrical construction subcontractor, Desert Plumbing & Heating Co., Inc., a plumbing and mechanical (including HVAC) subcontractor, and the aggregates business would have increasing revenues as a result of favorable market factors and integration of their operations into Tutor-Saliba's other businesses;

revenues of Black Construction would grow steadily until 2010, when revenues would expand significantly with the award of large awards in 2010 and continuing for subsequent years, which periods correspond to the timetable for the expansion of the United States military's base on the island of Guam; and

Tutor-Saliba would not acquire any additional businesses.

### *Estimated Synergies*

The Special Committee case projections included an estimate of synergies for the combined company. The Special Committee expected SG&A cost savings across both businesses of approximately \$5 million per year. In addition, the Special Committee expected most of the synergies from the merger would be in the form of incremental earnings. These items included:

maintaining the otherwise projected return to profitability of Perini's civil business as a result of drawing upon enhanced management capabilities from the combination of both companies' management teams;

having incremental earnings resulting from increased bonding capacity of the combined company; and

having incremental earnings from the increased ability for Perini to self-perform concrete and other services following the merger (made possible in part due to Tutor-Saliba's recent acquisition of the aggregates business).

These synergies were projected to result in approximately \$39 million of additional pre-tax earnings in 2009 (assuming the merger is completed in the third quarter of 2008), with increasing amounts in subsequent periods projected to grow to approximately \$72 million of additional pre-tax earnings in 2012.

### **Opinion of UBS Securities LLC**

On April 2, 2008, at a meeting of Perini's Special Committee held to evaluate the proposed merger, UBS delivered its oral opinion to the Special Committee, which was subsequently confirmed by delivery of UBS' written opinion, dated April 2, 2008, to the effect that, as of such date, and based upon and subject to various assumptions,



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matters considered and limitations described in the opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to Perini. The exchange ratio in the Merger Agreement determines the number of shares of Perini common stock that would be received by the former Tutor-Saliba shareholders in the merger in exchange for each share of Tutor-Saliba common stock that is outstanding immediately prior to the effective time of the merger (other than certain excluded shares specified in the Merger Agreement).

The full text of UBS' opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. This opinion is attached as *Annex E* and is incorporated by reference in this proxy statement. **UBS' opinion is directed only to the fairness, from a financial point of view, to Perini of the exchange ratio provided for in the merger. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available to Perini or Perini's underlying business decision to effect the merger. The opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger. We encourage you to read UBS' opinion carefully in its entirety.** The summary of UBS' opinion presented below is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, UBS, among other things:

reviewed certain publicly available business and financial information relating to Perini;

reviewed certain internal financial information and other data relating to the businesses and financial prospects of Perini that were provided to UBS by Perini and not publicly available, including the financial forecasts and estimates prepared by the management of Perini and the Special Committee that the Special Committee directed UBS to utilize for purposes of UBS' analysis;

reviewed certain internal financial information and other data relating to the businesses and financial prospects of Tutor-Saliba that were provided to UBS by Perini and not publicly available, including the financial forecasts and estimates prepared by the management of Perini, the management of Tutor-Saliba and the Special Committee that the Special Committee directed UBS to utilize for purposes of UBS' analysis;

reviewed certain estimates of synergies prepared by the management of Perini, the management of Tutor-Saliba and the Special Committee, that were provided to UBS by Perini and not publicly available, that the Special Committee directed UBS to utilize for purposes of UBS' analysis;

conducted discussions with the Special Committee and members of the senior managements of Perini and Tutor-Saliba concerning the businesses and financial prospects of Perini and Tutor-Saliba;

reviewed publicly available financial and stock market data with respect to certain other companies that are generally in the industry in which Perini and Tutor-Saliba operate;

compared the financial terms of the merger with the publicly available financial terms of other transactions involving certain other companies that are generally in the industry in which Perini and Tutor-Saliba operate;

performed discounted cash flow analyses of Perini and Tutor-Saliba in which UBS analyzed the future cash flows of Perini and Tutor-Saliba using the financial forecasts and estimates prepared by the management of Perini, the management of Tutor-Saliba and the Special Committee that the Special Committee directed UBS to utilize for purposes of UBS' analysis;

reviewed current and historical market prices of Perini common stock;

considered certain pro forma effects of the merger on Perini's financial statements;

reviewed drafts of the Merger Agreement and the Shareholders Agreement, each dated April 2, 2008; and

conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.



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In connection with its review, with the consent of the Special Committee, UBS assumed and relied upon, without independent verification, the accuracy and completeness in all material respects of the information provided to or reviewed by UBS for the purpose of its opinion. In addition, with the consent of the Special Committee, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Perini or Tutor-Saliba, nor was UBS furnished with any such evaluation or appraisal. With respect to the financial forecasts, estimates, synergies and pro forma effects referred to above, UBS assumed, at the direction of the Special Committee, that they had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Special Committee as to the future financial performance of Perini and Tutor-Saliba and such synergies and pro forma effects. In addition, UBS assumed, with the approval of the Special Committee, that the financial forecasts and estimates, including synergies, referred to above would be achieved at the times and in the amounts projected. UBS also assumed, with the consent of the Special Committee, that the merger would qualify for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information available to UBS as of, the date of UBS' opinion.

At the direction of the Special Committee, UBS was not asked to, nor did it, offer any opinion as to the terms, other than the exchange ratio to the extent expressly specified in UBS' opinion, of the Merger Agreement or the form of the merger. UBS did not express any opinion as to the fairness of the amount or nature of, or any other aspects relating to, any compensation to be received by any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the exchange ratio. UBS did not express any opinion as to what the value of Perini common stock would be when issued pursuant to the merger or the prices at which Perini common stock would trade at any time. In rendering its opinion, UBS assumed, with the consent of the Special Committee, that (i) the final executed form of each of the Merger Agreement and the Shareholders Agreement would not differ in any material respect from the April 2, 2008 drafts referred to above, (ii) the parties to the Merger Agreement would comply with all material terms of the Merger Agreement, and (iii) the merger would be consummated in accordance with the terms of the Merger Agreement without any adverse waiver or amendment of any material term or condition thereof. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any material adverse effect on Perini, Tutor-Saliba or the merger. Except as described above, the Special Committee imposed no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion. The issuance of UBS' opinion was approved by an authorized committee of UBS.

In connection with rendering its opinion to the Special Committee, UBS performed a variety of financial and comparative analyses, which are summarized below. The following summary is not a complete description of all the analyses performed and factors considered by UBS in connection with its opinion. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

UBS believes that its analyses and the summary below must be considered as a whole and that selecting portions of the analyses and factors, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying UBS' analyses and opinion. UBS did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion but rather arrived at its ultimate opinion based on the results of all the analyses undertaken by it and assessed as a whole. As the Special Committee was aware, the financial and operating characteristics of Perini and Tutor-Saliba (including the business segments in which they operate) cause their financial results to have limited comparability, for valuation purposes, to those of other companies with publicly available financial and stock market data that UBS reviewed and of other transactions that UBS reviewed for which financial terms were publicly available, and, accordingly, UBS relied primarily on discounted cash flow analyses of the forecasts and estimates referred to above for purposes of UBS' opinion.

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The estimates of the future performance of Perini and Tutor-Saliba referred to above that the Special Committee directed UBS to utilize for purposes of UBS analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, UBS considered industry performance, general business and economic conditions and other matters, many of which are beyond Perini or Tutor-Saliba's control. Estimates of the financial value of companies do not purport to be appraisals and do not necessarily reflect the prices at which companies actually may be sold.

The exchange ratio was determined through negotiation between Perini and Tutor-Saliba and the decision by Perini to enter into the merger was solely that of the Perini board of directors. UBS' opinion and financial analyses were one of many factors considered by each of the Special Committee and the Perini board of directors in their respective evaluations of the merger and should not be viewed as determinative of the views of the Special Committee or the Perini board of directors with respect to the merger or the exchange ratio.

The following is a summary of the material financial analyses performed by UBS and reviewed with the Special Committee in connection with UBS' opinion relating to the merger and presented to the Perini board of directors. **The financial analyses summarized below include information presented in tabular format. In order to understand fully UBS' financial analyses, the table must be read together with the text of the summary. The table alone does not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of UBS' financial analyses.**

### *Discounted Cash Flow Analyses*

UBS performed a discounted cash flow analysis of (i) each of Perini and Tutor-Saliba using financial forecasts that the Special Committee directed UBS to utilize for purposes of its analysis for 2008 to 2012 (or, in the case of Tutor-Saliba's Black Construction business for 2008 to 2017) and (ii) the estimated after-tax synergies that Perini's management and the Special Committee estimated would result from the merger.

*Perini.* UBS performed a discounted cash flow analysis to calculate the estimated present value of the projected unlevered, after-tax free cash flow of Perini on a stand-alone basis from February 1, 2008 through December 31, 2012 using financial forecasts prepared by Perini's management and the Special Committee. UBS calculated a range of terminal values for Perini by applying terminal multiples of the last 12 months (LTM) earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, ranging from 6.0 to 8.0 to estimated EBITDA of Perini for the twelve months ending December 31, 2012. The cash flows and terminal values with respect to the Perini financial data were then discounted to present value as of January 31, 2008 using after-tax discount rates ranging from 12.5% to 14.5% based on its estimated weighted average cost of capital. This analysis indicated an implied stand-alone range of equity values for Perini of approximately \$1,175 million to \$1,440 million and an implied stand-alone range of equity values per share of Perini common stock of approximately \$41.80 to \$51.30.

*Tutor-Saliba.* UBS performed a discounted cash flow analysis to calculate the estimated present value of (i) the projected unlevered, after-tax free cash flow of Tutor-Saliba's United States operations from February 1, 2008 through December 31, 2012 and (ii) the projected unlevered, after-tax free cash flow of Tutor-Saliba's Black Construction business from February 1, 2008 through December 31, 2017, in each case on a stand-alone basis using financial forecasts prepared by Perini's management, Tutor-Saliba's management and the Special Committee. UBS calculated a range of terminal values for Tutor-Saliba's United States operations by applying terminal LTM EBITDA multiples ranging from 6.0 to 8.0 to estimated EBITDA of Tutor-Saliba's United States operations for the twelve months ending December 31, 2012. UBS calculated a range of terminal values for Tutor-Saliba's Black Construction business by applying perpetuity growth rates ranging from 0.0% to 4.0% for periods subsequent to calendar year 2017. The cash flows and terminal values with respect to the Tutor-Saliba financial data were then discounted to present value as of January 31, 2008 using after-tax discount rates ranging from 12.5% to 14.5% based on its estimated weighted average cost of capital. The resulting implied stand-alone

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range of equity values for Tutor-Saliba's United States operations were summed with the implied stand-alone range of equity values for Tutor-Saliba's Black Construction business. This analysis indicated an implied stand-alone range of equity values for Tutor-Saliba of approximately \$760 million to \$1,030 million.

*Estimated Synergies.* UBS performed a discounted cash flow analysis to calculate the estimated present value of the estimated after-tax synergies that Perini's management, Tutor-Saliba's management and the Special Committee forecasted would result from the merger. For purposes of calculating a range of terminal values for the estimated after-tax synergies, UBS assumed a 0.0% perpetuity growth rate for estimated after-tax synergies for periods subsequent to calendar year 2012, the final year of the synergy forecasts provided to UBS. The cash flows and terminal values with respect to the estimated after-tax synergies were then discounted to present value as of January 31, 2008 using after-tax discount rates ranging from 12.5% to 14.5% based on the estimated weighted average cost of capital for Perini and Tutor-Saliba. This analysis indicated an implied range of values of the estimated after-tax synergies of approximately \$280 million to \$330 million.

UBS then calculated the implied range of equity values per share of Perini pro forma for the merger, by (i) summing the implied stand-alone range of equity values for Perini, the implied stand-alone range of equity values for Tutor-Saliba and the implied range of values of the estimated after-tax synergies and (ii) dividing that sum by the total number of shares of Perini common stock pro forma for the merger, based on the exchange ratio, to derive an implied range of equity values per share of Perini common stock pro forma for the merger of approximately \$43.30 to \$54.90, which represents an implied premium of approximately 3.6% to 7.0% to the implied stand-alone range of equity values per share of Perini common stock of approximately \$41.80 to \$51.30.

*Implied DCF Equity Value Contribution.* UBS performed an analysis to compare the implied relative contributions of Perini and Tutor-Saliba to the implied range of equity values of Perini pro forma for the merger. UBS calculated the relative contributions of Perini and Tutor-Saliba as a percentage of the implied range of equity values of Perini pro forma for the merger by dividing the implied stand-alone range of equity values for each of Perini and Tutor-Saliba described above, plus the estimated after-tax synergies that Perini's management and the Special Committee estimated would result from the merger attributable to each of Perini and Tutor-Saliba, by the implied range of equity values of Perini pro forma for the merger, assuming for purposes of the first calculation below that 55% of the estimated after-tax synergies that Perini's management and the Special Committee estimated would result from the merger were attributable to Perini, and 45% of such estimated after-tax synergies were attributable to Tutor-Saliba, and alternatively assuming for purposes of the second calculation below that 100% of the estimated after-tax synergies that Perini's management and the Special Committee estimated would result from the merger were attributable to Tutor-Saliba alone. This analysis indicated the following implied relative contributions of Perini and Tutor-Saliba to the implied range of equity values of Perini pro forma for the merger, after giving effect to the estimated after-tax synergies that Perini's management and the Special Committee estimated would result from the merger, as compared to the approximately 45% pro forma ownership of the combined company by Tutor-Saliba shareholders, based on the exchange ratio:

	Perini		Tutor-Saliba	
Implied relative equity value contribution reference range (assuming 55% of estimated present value of synergies attributable to Perini and 45% of estimated present value of synergies attributable to Tutor-Saliba)	53%	64%	36%	47%
Implied relative equity value contribution reference range (assuming 100% of estimated present value of synergies attributable to Tutor-Saliba)	47%	57%	43%	53%

*Other Factors*

*Selected Public Companies Analysis.* In connection with rendering its opinion to the Special Committee, UBS compared selected trading multiples of Perini with selected trading multiples of the following 12 companies: Comfort Systems USA, Inc.; EMCOR Group, Inc.; Fluor Corporation; Granite Construction

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Incorporated; Insituform Technologies, Inc.; Jacobs Engineering Group Inc.; Layne Christensen Company; Matrix Service Company; Michael Baker Corporation; Sterling Construction Company, Inc.; The Shaw Group Inc.; and URS Corporation.

Although none of the selected companies was directly comparable to Perini, the companies listed above were chosen because they are U.S.-based publicly traded engineering and construction companies with certain businesses, markets or operations that, for purposes of analysis, could generally be considered similar to certain businesses, markets or operations of Perini. However, given the limited comparability of Perini to other companies in the engineering and construction industry, UBS did not draw any conclusions from or with respect to the selected trading multiples of the selected public companies that UBS reviewed.

*Selected Transactions Analysis.* In connection with rendering its opinion to the Special Committee, UBS also reviewed selected financial information for each of the following 12 selected transactions announced between June 11, 2002 and September 25, 2007: Hochtief Aktiengesellschaft/Flatiron Construction Corp.; Balfour Beauty PLC/Centex Corporation; Tenaska, Inc./InfrastruX Group; EnergySolutions, Inc./Duratek, Inc.; Dycom Industries, Inc./Prince Telecom Inc.; Perini Corporation/Rudolph and Sletten, Inc.; Ferrovia Agroman S.A./W.W. Webber, Inc.; Layne Christensen Company/Reynolds Inc.; Worley Group Limited/Parsons E&C Corporation; Madison Dearborn Partners, LLC/Great Lakes Dredge & Dock Company; Bilfinger Berger AG/Abigroup Limited; and Koninklijke BAM Groep NV/Hollandsche Beton Groep N.V.

Although none of the selected transactions was directly comparable to the proposed merger, the transactions listed above were chosen because they involved engineering and construction companies with certain businesses, markets or operations that, for purposes of analysis, could generally be considered similar to certain businesses, markets or operations of Perini or Tutor-Saliba. However, given the limited comparability of Perini and Tutor-Saliba to other companies in the engineering and construction industry, UBS did not draw any conclusions from or with respect to the selected transactions that UBS reviewed.

*Miscellaneous.* Under the terms of UBS' engagement, Perini has agreed to pay UBS a fee of \$8.25 million for its services in connection with the merger, a portion of which was payable in connection with rendering its opinion and \$6.05 million of which is contingent upon consummation of the merger. In addition, Perini has agreed to reimburse UBS for its reasonable expenses, including fees, disbursements and other charges of counsel, and to indemnify UBS and related parties against liabilities, including liabilities under federal securities laws, relating to, or arising out of, its engagement. In the past, UBS and its affiliates have provided investment banking services to Perini and Tutor-Saliba unrelated to the proposed merger, for which UBS and its affiliates received compensation, including having acted as underwriter in an offering of 10,341,909 shares of Perini common stock in December 2005, including 4,240,229 shares of Perini common stock that were beneficially owned by Tutor-Saliba and Ronald N. Tutor, and as agent in September 2006 in a private placement of 400,000 shares of Perini common stock that were beneficially owned by Tutor-Saliba and Ronald N. Tutor. In addition to the fees Perini has agreed to pay UBS for its services in connection with the merger, UBS has received approximately \$4.4 million of fees for investment banking services provided to Perini since December 2005. UBS and its affiliates may also provide investment banking services to Perini and Tutor-Saliba in the future, for which UBS and its affiliates may receive compensation, although there are no such services currently contemplated. In the ordinary course of business, UBS and its affiliates may hold or trade, for their own accounts and the accounts of their customers, securities of Perini and, accordingly, may at any time hold a long or short position in such securities.

The Special Committee selected UBS as its financial advisor in connection with the merger because UBS is an internationally recognized investment-banking firm with substantial experience in similar transactions and in the construction industry. UBS is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buy-outs, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.

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### **Anticipated Accounting Treatment**

The merger will be accounted for using the purchase method of accounting in accordance with accounting principles generally accepted in the United States under Statement of Financial Accounting Standards No. 141, *Business Combinations*. Perini will be the acquiring entity for financial reporting purposes. Under the purchase method of accounting, the cost of the transaction will be allocated to the tangible and intangible assets and liabilities assumed by the acquired entity based on their estimated fair values, with any excess being recognized as goodwill. Under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, goodwill will not be amortized, but will be subject to an annual impairment test.

### **Material United States Federal Income Tax Consequences to Existing Perini Shareholders**

The following is a summary of material United States federal income tax considerations relating to the merger, but does not purport to be a complete analysis of all potential tax considerations. This summary is based on the provisions of the United States Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder, judicial authority, published administrative positions of the United States Internal Revenue Service ( IRS ) and other applicable authorities, all as in effect on the date of this document, and all of which are subject to change, possibly on a retroactive basis. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following summary and there can be no assurance that the IRS will agree with our statements and conclusions.

This summary deals only with beneficial owners of shares of common stock in Perini that hold such shares of stock as capital assets within the meaning of section 1221 of the Internal Revenue Code (generally, property held for investment). This summary does not purport to deal with all aspects of United States federal income taxation that might be relevant to particular holders in light of their personal investment circumstances or status, nor does it address tax considerations applicable to holders that may be subject to special tax rules, such as certain financial institutions, tax-exempt organizations, subchapter S corporations, partnerships or other pass-through entities for United States federal income tax purposes or investors in such entities, insurance companies, broker-dealers, dealers or traders in securities or currencies, certain former citizens or residents of the United States subject to section 877 of the Internal Revenue Code and taxpayers subject to the alternative minimum tax. This summary also does not discuss shares of Perini common stock held as part of a hedge, straddle, synthetic security or conversion transaction, or situations in which the functional currency of a holder is not the United States dollar. Moreover, the effect of any applicable federal estate or gift, state, local or non-United States tax laws is not discussed.

**The following discussion is not a substitute for careful tax planning and advice. Each holder of shares of Perini common stock should consult its own tax advisors with respect to the application of the United States federal income tax laws to its particular situation, as well as any tax consequences arising under the federal estate or gift tax laws or the laws of any state, local or non-United States taxing jurisdiction or under any applicable tax treaty.**

At the closing of the merger, Kirkland & Ellis LLP, counsel to the Special Committee of the board of directors of Perini, will deliver to Perini its legal opinion, and Latham & Watkins LLP, counsel to Tutor-Saliba, will deliver to Tutor-Saliba its legal opinion each to the effect that, on the basis of the facts, assumptions and representations set forth in such opinion and the representations and covenants set forth in certificates obtained from officers of Perini, Trifecta Acquisition LLC and Tutor-Saliba, the merger will be treated as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. These opinions will be based on the law in effect on the date that these opinions are rendered. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representation or assumption to be true, correct and complete in all material respects, could affect the validity of the Kirkland & Ellis LLP opinion and/or the Latham & Watkins LLP opinion. An opinion of counsel represents counsel's best legal judgment and is not binding on the Internal Revenue Service or on any court.

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It is a condition to the obligations of Perini, Trifecta Acquisition and Tutor-Saliba to consummate the merger that Perini receive the opinion of Kirkland & Ellis LLP, and that Tutor-Saliba receive the opinion of Latham & Watkins LLP, both to the effect that the merger will be treated as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. In accordance with the tax opinions:

Perini shareholders will not recognize any gain or loss in the merger;

neither Perini nor Tutor-Saliba will recognize any gain or loss in the merger;

Perini will take a basis in the assets of Tutor-Saliba equal to the basis of those assets in the hands of Tutor-Saliba; and

Perini's holding period in the assets of Tutor-Saliba will include the holding period of Tutor-Saliba in those assets.

**Amendment to Perini Articles of Organization**

The Perini board of directors has adopted, subject to shareholder approval and subject to the completion of the merger, a resolution recommending that Perini's amended and restated articles of organization be amended to increase the number of authorized shares of Perini common stock to 75 million from 40 million shares. A copy of the proposed amendment to our amended and restated articles of organization is attached as *Annex F* to this proxy statement.

The increase in the number of authorized shares of common stock is recommended by the Perini board of directors to provide sufficient common stock for issuance of common stock to the Tutor-Saliba shareholders in connection with the merger. Perini presently is authorized to issue 40 million shares of common stock. As of the record date, approximately [ ] shares of Perini common stock were issued and outstanding and approximately [ ] shares of common stock were issuable upon exercise of stock options or upon vesting of restricted stock units. At the effective time, we will issue 22,987,293 shares of Perini common stock to the Tutor-Saliba shareholders as consideration for the merger.

The actions contemplated by Proposal 2, even if approved by our shareholders, will not occur unless we complete the merger.

Except for the issuance of Perini common stock in connection with the merger, Perini's management has no arrangements, agreements, understandings or plans at the present time to issue additional shares of common stock for any purpose.

**Regulatory Approval**

Under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, or HSR Act, and the rules and regulations promulgated thereunder, certain transactions, including the merger between Perini and Tutor-Saliba, may not be consummated until required information and materials have been furnished to the Department of Justice, or DOJ, and the Federal Trade Commission, or FTC, and certain waiting period requirements have expired or been terminated. On April 16, 2008, each of Perini and Tutor-Saliba filed a Pre-merger Notification and Report Form pursuant to the HSR Act with the DOJ and FTC. The statutory waiting period under the HSR Act expired on May 16, 2008. At any time before the completion of the merger, the DOJ, the FTC or others could take action under the antitrust laws with respect to the merger, including to seek to enjoin the completion of the merger, to rescind the merger or to require divestiture of certain assets of Perini or Tutor-Saliba. There can be no assurance that a challenge to the acquisition on antitrust grounds will not be made or, if such challenge is made, that it would not be successful.

**Federal Securities Law Consequences**

In the merger, we will issue a total of approximately 22.1 million shares of Perini common stock to the two trusts controlled by Mr. Tutor and approximately 900,000 shares to the other shareholders of Tutor-Saliba. None

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of these shares will be registered under the Securities Act of 1933. It is intended that such shares will be issued pursuant to a private placement exemption under Section 4(2) of the Securities Act or other available exemptions, and they will only be able to be resold pursuant to a separate registration statement or an applicable exemption from registration (under both federal and state securities laws). The shares that will be received will be subject to contractual restrictions under the terms of the Shareholders Agreement. These restrictions are described in detail in The Shareholders Agreement Transfer Restrictions beginning on page 83.

### **NYSE Listing**

It is a condition to the merger that the shares of Perini common stock to be issued in the merger be approved for listing on the NYSE, subject to official notice of issuance. Shares of Perini common stock will continue to be traded on the NYSE under the symbol PCR immediately following the completion of the merger.

### **Appraisal Rights**

Holders of Perini common stock do not have dissenters or appraisal rights under Massachusetts law in connection with the merger.

Holders of Tutor-Saliba common stock have waived any dissenters or appraisal rights they may have under California law in connection with the merger by the delivery of a unanimous written consent in favor of the approval of the Merger Agreement and the transactions contemplated thereby.

### **Business Relationships Between Perini and Tutor-Saliba**

#### **Management Agreement**

In January 1997, we entered into a management agreement with Tutor-Saliba, and Mr. Tutor, in his capacity as chief executive officer of Tutor-Saliba, to provide certain management services. The management agreement has been renewed annually by our Compensation Committee, which consists entirely of independent directors, under the same basic terms and conditions as the initial agreement except that the amount of the fee payable thereunder by us to Tutor-Saliba has been increased. In March of 2007, the Compensation Committee voted to increase the annual payment to \$1 million.

We are entitled to terminate the management agreement at any time upon the determination by our board of directors that Mr. Tutor has not fulfilled his obligations under the agreement, or that it is inadvisable for Mr. Tutor to continue performing services for us pursuant to the agreement. We expect that the management agreement will be terminated upon the completion of the merger by mutual agreement of the parties.

#### **Joint Ventures**

Historically, we have participated in joint ventures with Tutor-Saliba and currently participate in certain joint ventures with Tutor-Saliba. Some of these joint venture projects have been managed by Tutor-Saliba and others have been managed by us. These joint ventures generated total revenues of \$96 million in 2007, of which our share contributed \$70.6 million to our consolidated revenues for the fiscal year ended December 31, 2007. The joint ventures generally act as an entity through a management committee comprised of the joint venture members, with voting proportionate to ownership interest and with one party named to manage the day-to-day operations of the joint venture.

The following are summaries of the joint ventures between Tutor-Saliba and us that are currently involved in construction activity.

*Tappan Zee Bridge Repair:* On November 4, 2005, we entered into a joint venture agreement with Tutor-Saliba for the purpose of submitting a joint bid and obtaining the contract for the repair of the Tappan Zee Bridge on the New York State Thruway. Our proportionate share of the joint venture is 70%. Tutor-Saliba

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holds a 30% interest in the joint venture. Pursuant to the agreement, we receive a management fee of \$15,000 per month in addition to our proportionate share in consideration for managing the joint venture. The aggregate amount payable to the joint venture under this contract is \$163.7 million. The construction contract calls for completion of the construction process by October 3, 2008.

*Brooklyn Queens Expressway Rehabilitation:* On November 5, 2004, we entered into a joint venture agreement with Tutor-Saliba for the purpose of submitting a joint bid and obtaining the contract for the reconstruction of Interstate 278 (the Brooklyn-Queens Expressway). Our proportionate share of the joint venture is 80%. Tutor-Saliba holds a 20% interest in the joint venture. Pursuant to the agreement, we receive a management fee of \$27,500 per month in addition to our proportionate share in consideration for managing the joint venture. The aggregate amount payable to the joint venture under the contract is \$123 million. The agreement terminates on August 31, 2008, which date is the date the project is required to be completed.

*Airtran Terminal at Jamaica Station:* On August 22, 2000, we entered into a joint venture agreement with Tutor-Saliba for the purpose of submitting a joint bid and obtaining the contract for the construction of the Airtran Terminal at Jamaica Station. Our proportionate share of the joint venture is 50%. Tutor-Saliba holds a 50% interest in the joint venture. The aggregate amount payable to the joint venture under the contract is \$376 million. The construction work is completed; however, the joint venture is entitled to \$3.2 million of revenue backlog in connection with the project.

In addition to the joint ventures listed above, we entered into joint ventures with Tutor-Saliba during fiscal years 2005 and 2006 to submit bids on contracts for the construction of the Vegas 888 condominium project in Las Vegas and the Croton Water Treatment Plant at the Mosolu Golf Course in New York. Neither of these joint ventures secured a construction contract.

In fiscal years 2000 and 2001, we entered into joint venture agreements with Tutor-Saliba for the purpose of submitting joint bids and obtaining contracts to construct the UCLA Westwood Replacement Hospital and the UCLA Santa Monica/Orthopaedic Replacement Hospital, respectively. Subsequently, Tutor-Saliba purchased our interests in these two joint ventures and agreed to indemnify us from losses we might suffer as a result of participating in the bidding process. As of the date of this proxy, we have not suffered any losses or sought indemnification from Tutor-Saliba in connection with these two projects.

**Business Relationship with Desert Plumbing**

Following Tutor-Saliba's acquisition in January 2008 of Desert Plumbing & Heating Co., Inc., a subcontractor with whom Perini has had a business relationship for several years, Perini has continued to subcontract with Desert Plumbing on the same commercial third party terms as existed prior to the acquisition. For additional information on Perini's business relationship with Desert Plumbing, please see "Certain Relationships and Related Party Transaction - Subcontractor" beginning of page 135.

**Additional Interests of Directors, Executive Officers and Certain Beneficial Owners**

In considering the Perini board of directors' recommendation to approve Proposal 1 and Proposal 2 in connection with the proposed merger, our shareholders should be aware that Mr. Tutor, who is our chairman and chief executive officer, has interests that are different from, and in addition to, the interests of Perini shareholders generally. These interests present actual conflicts of interest, and these interests are described below. The Special Committee and the Perini board of directors were aware of these conflicts of interest and considered them, among other matters, in reaching their decisions, as applicable, to approve the Merger Agreement and the merger and to recommend that our shareholders vote in favor of adopting Proposal 1 and Proposal 2 in connection with the merger. These conflicts of interest were the reason why our board of directors formed the Special Committee, as discussed above in "Background of the Merger" beginning on page 32. In addition, in light of these conflicts of interest, Mr. Tutor did not participate on behalf of Perini in any of the deliberations of the Perini board of directors or in any vote by the directors on any matters



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relating to the proposed merger, the Merger Agreement or the related agreements. He did, however, negotiate on behalf of Tutor-Saliba and its shareholders and express his views on the prospects of both the Perini and Tutor-Saliba businesses as and when requested by the Special Committee and its advisors.

### **Beneficial Ownership of Perini Common Stock**

Mr. Tutor, through two trusts that he controls, is the beneficial owner of approximately 96% of the outstanding shares of Tutor-Saliba common stock. In the merger, these trusts will receive approximately 22.1 million shares of Perini common stock (representing approximately 96% of the shares Perini common stock issued in the merger) with a value of approximately \$845.6 million based on the closing price per share of Perini common stock of \$38.25 on April 2, 2008. As a result of the merger, Mr. Tutor, through these two trusts, will be the beneficial owner of approximately 43% of the outstanding shares of Perini common stock upon completion of the merger. These shares will be subject to the restrictions contained in the Shareholders Agreement. They also will have the benefit of the registration rights provided for in that agreement. Please see The Shareholders Agreement beginning on page 81 for a detailed summary of the terms of the Shareholders Agreement. A copy of the Shareholders Agreement is attached as *Annex B* to this proxy statement.

### **Pre-Closing Distribution of Property**

In connection with the completion of the merger, Tutor-Saliba has distributed or will distribute to its shareholders (and Perini will not acquire in the merger) the following assets:

all of its interest in a residence in Ketchum, Idaho, with a market value of \$3.5 million;

cash of \$15 million for tax payments as described below; and

additional aggregate dividends of up to \$120 million of cash and notes (of which \$10 million in cash has already been distributed), subject to limitations contained in the Merger Agreement.

Because Tutor-Saliba is a subchapter S corporation, its taxable income is attributed to the shareholders of Tutor-Saliba for federal income tax purposes meaning that its shareholders are responsible for paying the income taxes on their proportionate share of the income. The Merger Agreement permits Tutor-Saliba to make cash distributions to its shareholders that are intended to cover their income tax obligations for Tutor-Saliba's income from January 1, 2008 through the completion of the merger. The combined company will retain such income. These distributions for taxes will not take into account any taxes with respect to income or gain realized in respect of the transactions contemplated by the Merger Agreement or otherwise not in the ordinary course of Tutor-Saliba's business or any gain realized on the distribution of appreciated assets, the taxes for which will be solely the responsibility of the Tutor-Saliba shareholders. In April 2008, Tutor-Saliba distributed approximately \$11.6 million of cash to its shareholders in respect of their April 2008 income tax payment obligations arising from Tutor-Saliba's operations. Shortly before completion of the merger, the balance of the permissible tax distributions will be determined, and Tutor-Saliba will make additional cash distributions to its shareholders that are intended to cover their income tax obligations not covered by the April distribution. For a discussion of the reasons for the additional contemplated distribution, which will be Tutor-Saliba's final Subchapter S distributions, please see Subchapter S Dividend; Termination of Subchapter S Status beginning on page 90.

The Merger Agreement acknowledges that Perini will not acquire in the merger Tutor-Saliba's previously owned interests in a high-rise office building in San Pedro, California, commonly known as Pacific Place. Tutor-Saliba and an entity owned by Mr. Tutor completed an exchange transaction that resulted in Mr. Tutor's entity receiving a distribution of Tutor-Saliba's interests in Pacific Place and related assets and liabilities, with an aggregate net value (in excess of the assets received by Tutor-Saliba in the transaction) of \$21.3 million, as described more fully in Recent Developments and Expected 2008 Events Distribution of Commercial Real Estate; Distribution of Residential Real Estate and in Note 14 of the Audited Financial Statements of Tutor-Saliba attached as *Annex H* to this proxy statement.

The two trusts that Mr. Tutor controls have received or will receive distributions from Tutor-Saliba, with an aggregate net value to Mr. Tutor of to approximately \$153.3 million. To the extent these trusts receive notes as



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dividends, after completion of the merger, they will be creditors of Tutor-Saliba (which will be a wholly owned subsidiary of Perini) and will be entitled to receive payments of principal and interest from Tutor-Saliba. Pursuant to the Merger Agreement, these notes will include the following terms:

interest will accrue on the principal amount of the notes at a rate of 5% per annum;

the unpaid principal balance of the notes and all accrued and unpaid interest thereupon will become due and payable in full on June 30, 2012;

the notes may be prepaid at any time; and

Tutor-Saliba will be required to prepay the notes with 100% of excess cash flow of Tutor-Saliba (as described in the note) for the preceding fiscal year (or, for the year in which the closing of the merger occurs, the partial fiscal year from the closing through the end of such fiscal year) within 90 days of the end of each fiscal year until the principal and interest of the notes has been repaid.

### **The Employment Agreement**

In connection with the merger, we executed the Employment Agreement with Mr. Tutor. This agreement will take effect only upon completion of the merger. Please see *The Employment Agreement* beginning on page 83 for a detailed summary of the key terms of Mr. Tutor's Employment Agreement. The compensation and other benefits he will receive under the Employment Agreement provide him with additional interests in the completion of the merger.

### **Nominees to Perini Board of Directors**

The Shareholders Agreement provides that the shareholder representative under the Shareholders Agreement (which will initially be Mr. Tutor) has the right to designate up to two nominees for election to the Perini board of directors (subject to certain conditions and limitations) and that, for so long as he serves as the chief executive officer of Perini, Mr. Tutor will be nominated for election to the Perini board of directors. Mr. Tutor has designated C.L. Max Nikias as one of the shareholder representative's board designees, and he will be appointed as a new member of the Perini board of directors upon the completion of the merger. As of the date of this proxy statement, Mr. Tutor has not elected to exercise his right to nominate a second director for election, although he has not waived the right to do so in the future. Please see *The Shareholders Agreement Composition of the Board of Directors* beginning on page 81 for a detailed summary of Mr. Tutor's rights with respect to the composition of the Perini board of directors.

### **Personal Guaranties**

Pursuant to the Merger Agreement, we have agreed to cooperate with Tutor-Saliba to obtain consents and seek amendments to certain guaranties of surety bonds and banking agreements issued by Mr. Tutor in his personal capacity on behalf of Tutor-Saliba to remove Mr. Tutor as an obligor, guarantor or surety. As of June 30, 2008, Mr. Tutor had aggregate guarantee obligations to banking institutions for approximately \$115 million for the benefit of Tutor-Saliba. Mr. Tutor's indemnity with respect to surety bonds represents additional contingent obligations that fluctuate based on the value of operating contracts relating to the bonds in effect from time to time. As of the date of this proxy statement, we are not aware of any defaults under these surety bonds.

### **Interests of Other Directors and Executive Officers**

In connection with the merger, none of our directors or executive officers will receive any transaction bonuses, none of their existing equity awards will vest or become payable on an accelerated basis, and no director or executive officer has any change of control arrangement under an employment agreement or any pension or other benefit plan that would entitle such director or officer to additional compensation or other benefits.

Although we expect to consider implementing new employment and incentive compensation arrangements for certain members of our management team and of Tutor-Saliba's management team (possibly including employment agreements), we have not had any discussions with

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any of our executive officers regarding such matters. Such matters, if pursued, are subject to consideration by the Compensation Committee of our board of directors, evaluation by the full board of directors and, if proposed, negotiation with the applicable management members. We may implement new employment and incentive compensation arrangements prior to the closing of the merger.

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As described above, the Perini board of directors created a Special Committee to explore and evaluate potential strategic transactions that might be available to Perini, including in particular a business combination transaction with Tutor-Saliba, and to discuss and negotiate the terms of any such transactions. The members of the Special Committee were Messrs. Klein, Brittain, Arkley and Kennedy, with Mr. Klein serving as the Chair of the committee. The Perini board of directors agreed to pay the members of the Special Committee a fee of \$50,000 (\$60,000 for the Chair) plus \$2,000 per meeting attended or each other day on which they spent more than three hours working on any such transaction. The Perini board of directors determined that these fees were reasonable and customary for directors serving on a special committee in connection with this type of proposed transaction. The fees that the directors receive for serving on the Special Committee are not contingent upon success of the proposed transaction.

### **Litigation Related to the Merger**

*Weitman v. Tutor.*

Ms. Nina Weitman, purporting to be a shareholder of Perini, seeks to bring a class action in the Massachusetts Superior Court Department of the Trial Court of Middlesex County on behalf of all shareholders of Perini regarding the merger, in a complaint dated June 19, 2008. The complaint alleges that Perini, its board of directors and Tutor-Saliba breached fiduciary duties to Perini in agreeing to enter into the Merger Agreement. Specifically, the complaint alleges that the shareholders were not provided enough information regarding the merger and that the exchange ratio is not fair to the Perini shareholders. Perini plans to defend itself vigorously against this lawsuit. Additional lawsuits pertaining to the proposed merger could be filed in the future. Although we are unable at this time to determine the ultimate outcome of this lawsuit or any future similar lawsuits, injunctive relief or an adverse determination could affect our ability to complete the merger.

### **The Merger Agreement**

*The following is a summary of the material terms of the Merger Agreement. This summary does not purport to describe all the terms of the Merger Agreement and is qualified by reference to the complete Merger Agreement, the executed version of which is attached as Annex A to this proxy statement and an amendment thereto is attached as Annex AA to this proxy statement, both of which are incorporated by reference in this proxy statement. All shareholders of Perini are urged to read the Merger Agreement carefully and in its entirety.*

*The Merger Agreement is being summarized in this proxy statement and has been included as an annex to this proxy statement to provide you with information regarding its terms. The Merger Agreement contains representations and warranties that the parties thereto made to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the contract between and the transactions and agreements contemplated thereby among the respective parties thereto and may be subject to important qualifications and limitations agreed to by Perini and Tutor-Saliba in connection with negotiating the terms thereof. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to shareholders or may have been used for the purpose of allocating risk among the parties to the Merger Agreement rather than establishing matters as facts. Perini will provide additional disclosure in its public reports to the extent that it is aware of the existence of any material facts that are required to be disclosed under federal securities law and that might otherwise contradict the representations and warranties contained in the Merger Agreement and will update such disclosure as required by federal securities laws.*

### **General**

The Merger Agreement provides for the merger of Tutor-Saliba with and into Trifecta Acquisition LLC, a newly formed, wholly owned subsidiary of Perini, which is referred to in this proxy statement as Merger Sub, with Merger Sub continuing as the surviving entity. As a result of the merger, Merger Sub will continue as a wholly owned subsidiary of Perini.

### **Closing Matters**

*Closing.* Unless the parties agree otherwise, the closing of the merger will take place on the third business day after all closing conditions have been satisfied or waived (other than any condition that by its nature cannot

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be satisfied until the closing), unless the Merger Agreement has been terminated. Please see Conditions to the Completion of the Merger below for a more complete description of the conditions that must be satisfied or waived prior to the closing of the merger.

*Effective Time of the Merger.* As soon as practicable after the satisfaction or waiver of the conditions to the merger, we and Tutor-Saliba will file a certificate of merger with the Secretary of State of the State of California in accordance with the relevant provisions of the General Corporation Law of the State of California and the Limited Liability Company Act of the State of California and make all other required filings or recordings. The merger will become effective when the certificate of merger is filed or at such later time as Tutor-Saliba and we agree and specify in the certificate of merger.

The parties are working to complete the merger by the third quarter of 2008. However, because completion of the merger is subject to the receipt of regulatory approvals and the satisfaction or waiver of other conditions, we cannot predict the actual timing of the completion of the merger.

*Amendment to Perini Articles of Organization.* At the closing of the merger, we will amend our amended and restated articles of organization to increase the number of authorized shares of Perini common stock by filing articles of amendment with the Secretary of State of the State of Massachusetts in accordance with applicable provisions of the Massachusetts Business Corporations Act. The full text of the amendment to the amended and restated articles of organization of Perini is attached as *Annex F* to this proxy statement.

*Composition of the Perini Board of Directors at the Effective Time.* The parties will take all actions required such that as of the effective time of the merger the Perini board of directors composition will be in compliance with the Shareholders Agreement. Please see The Shareholders Agreement Composition of the Board of Directors beginning on page 81 for additional information on the composition of the Perini board of directors following the closing of the merger.

### **Consideration to be Paid Pursuant to the Merger**

The Merger Agreement provides that, at the completion of the merger, each share of Tutor-Saliba common stock issued and outstanding immediately prior to the completion of the merger, but excluding shares of Tutor-Saliba common stock owned by us or Tutor-Saliba or any of our or their respective subsidiaries, will be converted into the right to receive a number of shares of Perini common stock equal to the quotient obtained by dividing (i) 22,987,293 shares of Perini common stock by (ii) the total number of shares of Tutor-Saliba common stock issued and outstanding as of immediately prior to the effective time of the merger. The number of shares of Perini common stock is subject to proportional adjustment in the event of certain significant changes to the capital stock of Perini prior to the closing of the merger.

### **Exchange of Tutor-Saliba Stock Certificates Pursuant to the Merger**

Before the closing of the merger, we may either appoint a banking or financial institution mutually agreed to by us and Tutor-Saliba as the exchange agent to effectuate the exchange of Tutor-Saliba stock certificates for certificates representing shares of Perini common stock, or alternatively we or any of our subsidiaries may serve as the exchange agent with the consent of Tutor-Saliba. As soon as reasonably practicable after the closing of the merger, the exchange agent will send a letter of transmittal to each former Tutor-Saliba shareholder who holds one or more stock certificates. The letter of transmittal will contain instructions explaining the procedure for surrendering Tutor-Saliba stock certificates to the exchange agent.

Tutor-Saliba shareholders who surrender their stock certificates, together with a properly completed letter of transmittal, will receive a certificate representing that number of whole shares of Perini common stock into which their shares of Tutor-Saliba common stock were converted pursuant to the merger.

After the merger, each certificate that previously represented shares of Tutor-Saliba common stock will only represent the right to receive certificates representing the shares of Perini common stock into which those shares of Tutor-Saliba common stock have been converted; and dividends or other distributions, if any, of Perini common stock which Tutor-Saliba shareholders are entitled to under the terms of the Merger Agreement.

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We will not pay dividends declared with a record date after the completion of the merger to any holder of any Tutor-Saliba stock certificates until the holder surrenders the Tutor-Saliba stock certificates. However, once those certificates are surrendered, we will pay to the holder, without interest, any dividends that have been declared and paid after the closing date of the merger on the shares into which those Tutor-Saliba shares have been converted.

After the completion of the merger, Tutor-Saliba will not register any transfers of shares of Tutor-Saliba common stock.

## **Covenants**

Perini and Tutor-Saliba have each undertaken certain covenants in the Merger Agreement concerning the conduct of their respective businesses between the date the Merger Agreement was signed and the completion of the merger or the termination of the Merger Agreement. The following summarizes the more significant of these covenants:

*No Solicitation.* Each of Tutor-Saliba and Perini has agreed that it will not, and will not permit its respective officers, directors, employees, agents or representatives to:

solicit, initiate, knowingly encourage or knowingly induce the making, submission or announcement of, an acquisition proposal of the type described below;

furnish any non-public information in connection with an acquisition proposal;

participate or engage in discussions or negotiations with any person with respect to an acquisition proposal; or

enter into any agreement, letter of intent or other similar instrument with any person providing for an acquisition transaction.

Each party agreed to provide notice to the other on receipt of any acquisition proposal or any request for information that is reasonably expected to lead to an acquisition proposal within one business day of receiving such acquisition proposal or request and keep the other party informed of developments related to the acquisition proposal or request.

Notwithstanding these restrictions, pursuant to the Merger Agreement, Perini is permitted to participate in negotiations with any person that has made a bona fide acquisition proposal and/or and furnish non-public information related to Perini pursuant to a confidentiality agreement if:

the acquisition proposal was received other than as a result of a material breach of the restrictions on solicitation activities noted above;

the Special Committee of Perini board of directors reasonably determines in good faith that an acquisition proposal constitutes or is reasonably likely to lead to a superior proposal of the type described below;

Perini has provided 48 hours of prior written notice to Tutor-Saliba of its intention to engage or participate in such activities; and

contemporaneously with furnishing any non-public information to such person, Perini furnishes the non-public information to Tutor-Saliba if it has not been previously made available to Tutor-Saliba.

An *acquisition proposal* means any bona fide inquiry, proposal or offer from any person relating to:

any direct or indirect acquisition or purchase of more than 20% of the total outstanding voting securities of the party or any of its subsidiaries or any tender offer or exchange offer that if completed would result in any person beneficially owning 20% or more of the total outstanding voting securities of the party or any of its subsidiaries;



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any merger, consolidation, business combination or other similar transaction involving the party or any of its subsidiaries pursuant to which the shareholders of such party immediately prior to the consummation of such transaction would hold less than 80% of the equity interests in the surviving or resulting entity of such transaction immediately after consummation thereof;

any sale, exchange, transfer, license, acquisition or disposition (in each case other than in the ordinary course of business) of more than 20% of the assets of the party and/or its subsidiaries; or

any liquidation, dissolution, recapitalization or other significant corporate reorganization of the party.

In addition, any issuance of shares of Tutor-Saliba or transaction that would be prohibited by the restrictions described in Tutor-Saliba Shareholder Lock-Up below.

A *superior proposal* means any *bona fide* acquisition proposal (as defined above, provided however that 20% and 80% should be substituted for all references to 45% and 55% in the definition above) which the Perini board of directors determines in good faith (after consultation with a financial advisor of nationally-recognized reputation and its outside legal counsel) to be more favorable to Perini's shareholders than the transactions contemplated by the Merger Agreement after taking into account, among other things, all financial considerations and aspects of the acquisition proposal, all strategic considerations, all legal and regulatory considerations, the identity of the offeror, the conditions and likelihood of completion, the likelihood of the imposition of obligations in connection with obtaining necessary regulatory approval, any revisions to the terms of the Merger Agreement proposed by Tutor-Saliba and any other factors deemed by Perini board of directors in good faith to be appropriate.

*Perini Board of Directors Covenant to Recommend.* The Perini board of directors has recommended that Perini shareholders approve the share issuance proposal and the amendment proposal in connection with the merger.

The Perini board of directors agreed in the Merger Agreement that it may not withdraw or modify its recommendation to its shareholders or approve or adopt, or enter into any agreement providing for, an acquisition proposal unless (i) it determines in good faith, after consulting with outside counsel, that failure to take such action would be reasonably likely to result in a breach of the fiduciary obligations of its board of directors and (ii) if such change of recommendation is for the purposes of accepting or adopting an acquisition proposal or entering into an acquisition agreement (A) such acquisition proposal constitutes a superior proposal and (B) and the Perini board of directors has provided to Tutor-Saliba three business days prior written notice of its intent to change recommendation and, if requested by Tutor-Saliba, negotiated in good faith with Tutor-Saliba during such three business day period regarding revisions to the Merger Agreement that would avoid such change of recommendation.

Notwithstanding the foregoing, unless the Merger Agreement is terminated prior to the annual meeting, Perini is required to hold the annual meeting and permit its shareholders to vote on the merger proposals (Proposal 1 and Proposal 2), even if Perini receives an unsolicited acquisition proposal from a third party, engages in negotiations regarding that proposal with the third party and/or changes its recommendation in favor of the merger proposals.

*Tutor-Saliba Shareholder Lock-Up.* From the date of the Merger Agreement until the earlier of the effective time of the merger or termination of the Merger Agreement, the Tutor-Saliba shareholders may not:

transfer any of their shares of Tutor-Saliba common stock except pursuant to the transactions contemplated by the Merger Agreement;

deposit any of their shares of Tutor-Saliba common stock in a voting trust, grant any proxies with respect to their shares of Tutor-Saliba common stock or subject any of their shares of Tutor-Saliba common stock to any arrangement with respect to voting (except pursuant to the transactions contemplated by the Merger Agreement);

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solicit proxies or become a participant in a solicitation (as such terms are defined in Regulation 14A under the Securities Exchange Act of 1934) in opposition to or competition with the consummation of the merger or assist any party in taking or planning any action which could compete with, impede, interfere with or attempt to discourage or inhibit the timely consummation of the merger;

encourage, initiate or cooperate in a shareholders vote or action by consent of Perini shareholders in opposition to or in competition with the consummation of the merger;

become a member of a group (as such term is used in Rule 13d-5 under the Securities Exchange Act of 1934) with respect to Perini common stock for the purpose of opposing or competing with the consummation of the merger; or

acquire, offer to acquire, or agree to acquire, any of the shares of Perini common stock (except pursuant to the transactions contemplated by the Merger Agreement or other arrangement in effect as of the date of the Merger Agreement).

*Restrictions on the Parties Business Prior to the Closing.* In general, until either the completion of the merger or the termination of the Merger Agreement, each of Perini and Tutor-Saliba and their respective subsidiaries are required to carry on their businesses in all material respects in the ordinary course and to use commercially reasonable efforts to preserve their business organizations substantially intact and maintain their existing relations with customers, suppliers, employees and other business associates. Each of Perini and Tutor-Saliba has also agreed that (except as contemplated or permitted by the Merger Agreement), without the prior written consent of the other party, it will not and will not permit any of its subsidiaries or other controlled entities to:

issue, deliver or sell or authorize or propose the issuance, delivery or sale of any equity interests (in the case of Perini, other than in the ordinary course of business consistent with past practices or pursuant to existing equity interests);

split, combine, repurchase or reclassify any equity interests, declare, set aside or pay any dividend or other distribution (whether in cash, shares or property or any combination thereof), or make any other actual, constructive or deemed distribution in respect of any equity interests;

acquire or agree to acquire in any manner a substantial portion of the equity securities or assets of any business or person (other than acquisitions of assets with a value not greater than \$5 million in the aggregate);

wind-up, liquidate or dissolve, adopt or approve a plan of complete or partial wind-up, liquidation or dissolution;

enter into, consummate, or adopt resolutions providing for or authorizing, any merger, consolidation, restructuring, recapitalization or other reorganization, other than the transactions contemplated by the Merger Agreement;

modify or amend any right of any holder of outstanding equity interests;

amend its certificate of incorporation or bylaws or other comparable organizational documents;

make, change or rescind material tax elections, change accounting periods, adopt or change tax accounting methods, file amended tax returns, enter into closing agreements, settle tax claims or assessments, surrender any right to claim a tax refund or consent to any extension or waivers of the limitation period applicable to any tax claim or assessment; or

agree to take any of the foregoing actions.

In addition, Tutor-Saliba has also agreed that (except as contemplated by the Merger Agreement), without the prior written consent of Perini, it will not and will not permit any of its subsidiaries or other controlled entities to:

incur, assume or otherwise become liable for any debt other than in the ordinary course of business consistent with past practices;

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incur or commit to any material capital expenditures outside of the ordinary course of business consistent with past practices (excluding any expenditures in connection with Tutor-Saliba's performance of services for any third party);

cancel, compromise, release or assign any material liability owed to it or any material claims held by it, other than in the ordinary course of business consistent with past practice;

enter into or accelerate, terminate, modify, renew or cancel any material contract other than in the ordinary course of business consistent with past practice;

sell, lease, transfer, license, mortgage, pledge or otherwise dispose of or encumber, except for any permitted liens, any of its material properties or assets (other than the sale of assets in the ordinary course of business consistent with past practice or as contemplated by the Merger Agreement);

implement any layoffs that could implicate the Worker Adjustment and Retraining Notification Act of 1988 or any similar applicable law;

change its auditor or materially change its methods of accounting in effect as of the date of the Merger Agreement except as required by changes in GAAP or applicable law or by a governmental entity;

revoke or terminate its status as an a validly electing subchapter S corporation within the meaning of the Internal Revenue Code;

settle or compromise any legal proceeding on terms which require it to pay, incur or assume any liability in excess of \$5 million;

enter into, amend, modify or renew any contract regarding employment, consulting, severance or similar arrangements with any of its directors, officers, employees or consultants, or grant any salary, wage or other increase in compensation or increase any employee benefit (including incentive, profit sharing or bonus payments), other than, in the case of employees or consultants, in the ordinary course of business consistent with past practice;

grant any severance or termination pay or benefit to any directors, officers, employees or consultants except pursuant to written agreements or severance policies in effect as of the date of the Merger Agreement, other than in the ordinary course of business consistent with past practice;

adopt or amend any employee plan except to the extent required by law or to the extent the adoption or amendment of such employment plan does not materially increase the aggregate cost of the employee plans; or

enter into or modify any transaction or arrangement with, or for the benefit of any of its affiliates or any of its directors, former directors, officers or shareholders.

These restrictions are subject to qualifications. In particular, the restrictions on Tutor-Saliba's payment of dividends and distribution of assets are subject to exceptions described below under Pre-Closing Distributions of Property and Pre-Closing Payment of Dividends; Dividend Note beginning on page 74.

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*Reasonable Best Efforts to Complete the Merger.* Each of the parties agreed to cooperate with each other and to use their (and cause their respective subsidiaries to use) reasonable best efforts to take or cause to be taken all actions and do or cause to be done all things necessary, proper or advisable under the Merger Agreement and applicable laws to complete the merger and the other transactions contemplated by the Merger Agreement in the most expeditious manner practicable, including using reasonable best efforts to satisfy conditions, obtaining all necessary regulatory approvals (including the expiration or termination of the waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976), and to use commercially reasonable efforts to obtain all necessary consents under contracts or permits in connection with the merger.

The parties also have agreed to take all action necessary to ensure that no state anti-takeover statutes or similar regulation is or becomes applicable to the merger and, if any state anti-takeover statute becomes applicable, to take all necessary actions to ensure that the merger and other provisions of the Merger Agreement be completed as soon as reasonably practicable and to minimize the effect of such statute on the merger.

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*Non-Competition; Non-Hire.* Each Tutor-Saliba shareholder and Mr. Tutor have agreed that for five years after the closing date, they will not engage in any competing operation (other than through a passive ownership interest) in any country in the world in which Tutor-Saliba or any of its subsidiaries or Perini or any of its subsidiaries currently conducts business or conducted business in the prior two years. A competing operation means any contracting or subcontracting of, or any other provision or promotion of, construction services or products, in either case including general contracting, contracting, plumbing, electrical, concrete forming or placing, steel erection, engineering, construction management, design-build services, and self-performed construction services. In addition, each Tutor-Saliba shareholder and Mr. Tutor have agreed that for five years after the closing date, they will not (i) solicit or hire employees of Tutor-Saliba or any of its subsidiaries (with certain limited exceptions), or (ii) cause any of Tutor-Saliba's customers or suppliers to cease doing business or reduce the level of business with Tutor-Saliba or any of its subsidiaries.

*Pre-Closing Distributions of Property.* The Merger Agreement provides that, notwithstanding the restrictions on distributions of assets by Tutor-Saliba prior to the closing of the merger, Tutor-Saliba may declare and distribute certain specified assets to the Tutor-Saliba shareholders prior to the closing. Those assets are:

all of its partnership interests in several partnerships that jointly own a high-rise office building in San Pedro, California, commonly known as Pacific Place;

all of its interest in Ketchum, Idaho; and

cash for tax payments as described below.

Because Tutor-Saliba is a subchapter S corporation, its taxable income is attributed to the shareholders of Tutor-Saliba for federal income tax purposes meaning that its shareholders are responsible for paying income taxes on their proportionate share of the income. The Merger Agreement permits Tutor-Saliba to make cash distributions to its shareholders that are intended to cover their income tax obligations for Tutor-Saliba's income from January 1, 2008 through the completion of the merger. The combined company will retain such income. These distributions for taxes will not take into account any taxes with respect to income or gain realized in respect of the transactions contemplated by the Merger Agreement or otherwise not in the ordinary course of Tutor-Saliba's business or any gain realized on the distribution of appreciated assets, the taxes for which will be solely the responsibility of the Tutor-Saliba shareholders. In April 2008, Tutor-Saliba distributed approximately \$11.6 million of cash to its shareholders in respect of their April 2008 income tax payment obligations arising from Tutor-Saliba's operations. Shortly before the completion of the merger, the balance of the permissible tax distributions will be determined, and Tutor-Saliba will make additional cash distributions its shareholders that are intended to cover their income tax obligations not covered by the April tax distribution. If Perini and Tutor-Saliba are unable to agree on the amount of the tax distribution or either party later determines that the adjustment was incorrect, the amount of the tax distribution will be adjusted in accordance with a dispute resolution provision provided in the Merger Agreement following the completion of the merger.

In addition, Tutor-Saliba may pay the dividends described in Pre-Closing Payment of Dividends; Dividend Notes below.

*Pre-Closing Payment of Dividends; Dividend Notes.* The Merger Agreement provides that, notwithstanding the restrictions on the payment of dividends by Tutor-Saliba prior to the closing of the merger, Tutor-Saliba may declare and distribute specified assets as dividends to the Tutor-Saliba shareholders prior to the closing of the merger in an amount up to \$120 million. Tutor-Saliba may not distribute such dividends in cash unless the amount of unrestricted cash held by Tutor-Saliba as of the closing of the merger (after giving effect to such dividends, borrowings under Tutor-Saliba's credit agreement and ongoing operations of Tutor-Saliba) will be at least zero and in any event may not distribute in excess of \$50 million in cash dividends prior to the date that is one business day prior to the closing of the merger.

No earlier than one business day prior to the closing of the merger, Tutor-Saliba may declare and distribute a dividend payable in the form of one or more notes. The maximum principal amount of the notes is the amount by which \$120 million exceeds the aggregate amount of the cash dividends declared by Tutor-Saliba between the

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date of the Merger Agreement and the closing, less amounts of indebtedness to be repaid to Tutor-Saliba prior to the effective time of the merger by the former Tutor-Saliba shareholders which have not been repaid by the date of the issuance of the note.

A form of the note is attached as *Annex D* to this proxy statement, although the form contemplates that it may be changed to reflect requests made by Perini or as are necessary in connection with seeking any consent under, amendment to or replacement of any credit facilities or borrowings of Perini or Tutor-Saliba in connection with the transactions contemplated by the Merger Agreement. The note provides that the unpaid principal balance of the notes and all accrued and unpaid interest thereupon will become due and payable in full on June 30, 2012. Tutor-Saliba may prepay any amounts outstanding under the notes at any time. In addition, Tutor-Saliba will be required to prepay the notes with 100% of excess cash flow of Tutor-Saliba (as described in the note) for the preceding fiscal year (or, for the year in which the closing of the merger occurs, the partial fiscal year from the closing through the end of such fiscal year) within 90 days of the end of each fiscal year until the principal and interest of the notes has been repaid.

*Substitute Guarantees.* Perini and Tutor-Saliba agreed to cooperate to modify various contracts in order to remove or release Mr. Tutor and his affiliates as obligors, guarantors or sureties of any obligations of Tutor-Saliba or its subsidiaries under the applicable contracts or any similar obligations incurred from and after the date of the Merger Agreement.

*Other Covenants.* The Merger Agreement contains certain other covenants, including covenants relating to public announcements, access to information and cooperation on tax matters.

## **Listing of Perini Stock**

We have agreed to use our reasonable best efforts to cause the shares of Perini common stock to be issued in connection with the merger to be approved for listing on the NYSE, subject to official notice of issuance. Approval for listing on the NYSE of the shares of Perini common stock issuable to Tutor-Saliba shareholders pursuant to the merger, subject only to official notice of issuance, is a condition to the obligations of Perini and Tutor-Saliba to complete the merger.

## **Representations and Warranties**

The Merger Agreement contains representations and warranties made by each of Perini, Tutor-Saliba and the Tutor-Saliba shareholders to the other parties thereto as of specified dates.

The representations and warranties of Tutor-Saliba and Perini relate to:

corporate existence, qualification to conduct business and corporate standing and power;

subsidiaries;

corporate authority to enter into, and carry out the obligations under, the Merger Agreement and the enforceability of the Merger Agreement;

absence of a breach of the certificate of incorporation and bylaws (or their equivalents), applicable law or material agreements as a result of the merger;

required approvals and consents as a result of the merger;

capital structure;

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financial statements and disclosure controls and procedures and, in the case of Perini, filings with the SEC;

absence of undisclosed liabilities;

absence of certain changes or events;

legal proceedings;

assets;



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material contracts;

governmental contracts;

real property;

intellectual property;

insurance;

environmental matters;

tax matters;

labor and employee matters;

employee benefit plans;

interested party transactions;

the existence of certain unsuitable payments;

indemnification obligations;

required shareholder votes;

applicability of anti-takeover statutes;

payment of fees to finders or brokers in connection with the Merger Agreement;

in the case of Perini, the opinion of UBS;

in the case of Perini, the formation and activities of Merger Sub; and

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in the case of Tutor-Saliba, ownership of shares of Perini common stock.

The representations and warranties of the Tutor-Saliba shareholders relate to:

their ownership of Tutor-Saliba shares;

their authority to enter into the Merger Agreement;

the absence of conflicts with applicable law and other contracts;

an acknowledgement of the nature of their investment in Perini common stock and their accredited investor status; and

their status as valid shareholders of a subchapter S corporation within the meaning of the Internal Revenue Code.

Several of the representations and warranties in the Merger Agreement are subject to important qualifications and limitations agreed to by Perini and Tutor-Saliba in connection with negotiating the terms thereof, including in certain cases the qualification that only items that would result in a material adverse effect would be deemed to make the representation and warranty untrue or other similar qualifications.

As used in the Merger Agreement, the term material adverse effect means, when used with respect to any party, any fact, circumstance, change or effect that, individually or when taken together with all other facts, circumstances, changes or effects in the aggregate, has had or would be reasonably expected to have or result in a material adverse effect on:

the business, assets, liabilities, properties, financial condition, or results of operations of such party and its subsidiaries, taken as a whole, other than facts, circumstances, changes or effects resulting from:

general market, economic or political conditions (including any changes arising out of acts of terrorism or war, weather conditions or other force majeure events) in the jurisdictions in which

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such party or any of its subsidiaries does business that do not disproportionately affect such party and its subsidiaries, taken as a whole, in any material respect compared to other Persons operating similar businesses in such jurisdictions;

general market, legal or economic conditions in the engineering or construction industries that do not disproportionately affect such party and its subsidiaries, taken as a whole, in any material respect compared to other participants in such industries;

the condition of the financial or securities markets in the countries in which such party or any of its subsidiaries does business that do not disproportionately affect such party and its subsidiaries, taken as a whole, in any material respect compared to other persons in such markets;

any change in the stock price or trading volume of equity interests of such party traded or listed on any national securities exchange or quotation system (but not any circumstance, change or effect that may be underlying such change to the extent such circumstance, change or effect would otherwise constitute a material adverse effect);

the pendency of the Merger Agreement or any of the transactions contemplated thereby, including the merger, or the taking of any action contemplated by the Merger Agreement or expressly permitted by the other party to the Merger Agreement; and

changes in GAAP; or

the ability of such party to perform its obligations pursuant to the Merger Agreement and the other related agreements and to consummate the transactions contemplated by the Merger Agreement and the other related agreements in a timely manner.

**Indemnification**

The Merger Agreement provides that following completion of the merger we, on the one hand, and the former Tutor-Saliba shareholders, on the other, will indemnify each other against losses, fines, costs and expenses incurred as a result of a breach of certain representations and warranties or violations of covenants contained in the Merger Agreement, subject to exceptions.

The respective indemnification obligations of each party are subject to customary limitations. No claim may be made as a result of a breach of the representations and warranties unless the loss with respect thereto is greater than \$250,000 and the aggregate losses as a result of breach of the representations and warranties exceeds \$5 million (and recovery may only be received for losses in excess of that amount). In addition, no party may recover in excess of \$60 million for losses as a result of breaches of the representations and warranties. In addition, no party may recover for losses as a result of a breach of the representations and warranties after the end of the survival period for the applicable representation and warranty. Most of the representations and warranties contained in or made pursuant to the Merger Agreement will survive the closing of the merger for a twelve-month period. Many of these limitations are subject to additional exceptions.

The Merger Agreement also limits the ability of any party to the Merger Agreement to be indemnified for losses as a result of, or otherwise rely upon for purposes of closing conditions, termination rights or other rights under the Merger Agreement, information known to the party seeking to assert a claim for indemnification or otherwise exercise the remedy under the Merger Agreement.

The trusts controlled by Mr. Tutor guarantee the indemnification obligations of the former Tutor-Saliba shareholders pursuant to the Merger Agreement.

The right to indemnification is the sole and exclusive remedy of the parties to the Merger Agreement in connection with losses arising out of matters set forth in the Merger Agreement, other than in the case of fraud or willful breach of a representation or warranty or the right to seek injunctive or equitable relief.



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### **Conditions to the Completion of the Merger**

The parties' respective obligations to complete the merger are subject to the satisfaction or, to the extent legally permissible, the waiver of the following conditions in the Merger Agreement:

the receipt of the approval of the Merger Agreement by Tutor-Saliba shareholders by delivery of the written consent of Tutor-Saliba shareholders (which was delivered in connection with the execution and delivery of the Merger Agreement), and the receipt of the approval by Perini shareholders of the share issuance proposal and the articles amendment proposal;

the receipt of the required statutory approvals, including the expiration or termination of the waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;

the absence of any law, judgment, injunction, decree or other order by a governmental entity that is in effect challenging the merger or the other transactions contemplated by the Merger Agreement, having the effect of making the merger or the other transactions contemplated by the Merger Agreement illegal, otherwise preventing the consummation of the merger or any of the other transactions contemplated by the Merger Agreement or that seeks to restrain, prohibit or effect the rescission of the merger or the other transactions contemplated by the Merger Agreement;

the receipt of the approval for listing by the NYSE of Perini common stock to be issued pursuant to the merger, subject to official notice of issuance; and

the articles of amendment of the Perini amended and restated articles of organization having been filed with the Massachusetts Secretary of State and declared effective.

In addition, individually, the parties' respective obligations to effect the merger are subject to the satisfaction or, to the extent legally permissible, the waiver of the following additional conditions:

the representations and warranties of the other party being true and correct as of the date of the Merger Agreement and as of the closing date of the merger unless, other than in the case of representations and warranties regarding capitalization, such failures to be true and correct (without giving effect to any materiality or material adverse effect qualifications or exceptions) in respect of those representations and warranties have not had and are not reasonably likely to result in a material adverse effect on the other party;

the other party having performed and complied in all material respects with all covenants required to be performed and complied with by it under the Merger Agreement;

the absence of a material adverse effect on the other party since the date of the Merger Agreement;

the receipt by both parties of all consents under any contracts or permits in connection with the Merger Agreement and the transactions contemplated thereby, except those consents the failure of which to obtain would not have a material adverse effect;

the execution and delivery by Perini and each shareholder of Tutor-Saliba of the Shareholders Agreement, and the Shareholders Agreement being in full force and effect;

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the execution and delivery by Mr. Tutor and Perini of the Employment Agreement, and there being no constructive or anticipatory notice of termination of service thereunder;

in the case of Perini, the receipt by Perini of a certification by Tutor-Saliba to the effect that Tutor-Saliba is not and has not been a United States Real Property Holding Corporation within the meaning of Section 897(c)(2) of the Internal Revenue Code;

the receipt of an opinion of the party's counsel which provides that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

in the case of Perini, the receipt by Perini of certain Tutor-Saliba audited financial statements by April 30, 2008, which audited financial statements do not differ in any material respect from the unaudited financial statements previously made available to Perini, except as provided in the Merger Agreement; and

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the receipt by each party of a certificate from an executive officer of the other party with respect to the satisfaction of certain of the closing conditions.

The Merger Agreement provides that neither Perini nor Tutor-Saliba may rely on the failure of any closing condition to be satisfied if the failure was caused by its failure to use its reasonable best efforts to satisfy the closing conditions or any other material breach of any other provision of the Merger Agreement.

**Termination of the Merger Agreement**

*Right to Terminate.* The Merger Agreement may be terminated at any time prior to the completion of the merger in any of the following ways:

by mutual written consent of us and Tutor-Saliba;

by either us or Tutor-Saliba:

if the merger has not been completed by September 30, 2008; provided that this date is automatically extended to December 31, 2008 if the conditions relating to the receipt of shareholder approval for the merger proposals, the receipt of required statutory and regulatory approvals and/or the absence of injunctions or other legal or regulatory restraints and the filing of the amendment to the articles of organization have not been fulfilled but all other conditions to closing have been satisfied or waived or are then capable of being satisfied; provided, further, that a party may not terminate the Merger Agreement pursuant to this provision if its failure to fulfill in any material respect any of its obligations under the Merger Agreement has resulted in the failure of the merger to have been completed by the applicable termination date;

if a governmental entity has enacted, issued, promulgated, enforced or entered into a law, judgment, injunction, decree or other order that is in effect, has become final and non-appealable and has the effect of making the merger or the other transactions contemplated by the Merger Agreement illegal, otherwise preventing the consummation of the merger or any of the other transactions contemplated by the Merger Agreement or that seeks to restrain or prohibit the consummation of, or effect the rescission of the merger or the other transactions contemplated by the Merger Agreement; provided, that a party may not terminate the Merger Agreement pursuant to this provision if such party failed to use its reasonable efforts to resist or prevent the entry or passage, or to seek the removal or lifting of such law, judgment, injunctions, decree or order; or

if the Perini shareholders fail to approve the share issuance proposal or the amendment proposal at the annual meeting or any adjournment or postponement thereof at which a vote on the merger proposals was taken; or

by Perini:

if there has been an uncured breach or failure to perform in any material respect of any representation, warranty, covenant or other agreement made by Tutor-Saliba or any of its shareholders in the Merger Agreement, and the breach or failure to perform would result in the applicable closing condition to the merger not being satisfied; or

if the Perini board of directors has effected a change of recommendation if such change of recommendation is for the purposes of accepting or adopting an acquisition proposal or entering into an acquisition agreement; or

by Tutor-Saliba:

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if there has been an uncured breach or failure to perform in any material respect of any representation, warranty, covenant or other agreement made by Perini in the Merger Agreement, and the breach or failure to perform would result in the applicable closing condition to the merger not being satisfied; or

if the Perini board of directors has effected a change of recommendation.



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*Termination Fees/Reimbursement of Expenses.* Perini will be required to pay a termination fee of \$30 million to Tutor-Saliba:

immediately upon termination of the Merger Agreement by Perini after it effects a change of recommendation for the purposes of accepting or adopting an acquisition proposal or entering into an acquisition agreement;

within one business day following the consummation of an acquisition transaction if (i) Perini or Tutor-Saliba terminates the Merger Agreement due to any Perini change of recommendation other than a Perini change of recommendation described in the bullet immediately above, and (ii) Perini enters into an acquisition agreement, or an acquisition transaction is otherwise consummated, within twelve months following the termination of the Merger Agreement (provided however that for these purposes 20% and 80% in the definition of acquisition transaction and acquisition agreement should be substituted with 35% and 65%); or

within one business day following the consummation of an acquisition transaction if (i) Perini or Tutor-Saliba terminates the Merger Agreement due to a failure to receive Perini shareholder approval at the Perini shareholders meeting and (ii) after the date of the Merger Agreement and before the Perini shareholders meeting, an acquisition proposal has been publicly announced and not withdrawn, and (iii) Perini enters into an acquisition agreement, or an acquisition transaction within twelve months following the termination of the Merger Agreement (provided however that for these purposes 20% and 80% in the definition of acquisition transaction and acquisition agreement should be substituted with 35% and 65%).

Perini will reimburse Tutor-Saliba for up to \$5 million of Tutor-Saliba's reasonable, documented, out-of-pocket expenses if (i) Perini or Tutor-Saliba terminate the Merger Agreement due to a failure to receive Perini shareholder approval at the Perini shareholders meeting or (ii) Perini or Tutor-Saliba terminates the Merger Agreement due to any Perini change of recommendation. The reimbursement of expenses will not limit the obligation of Perini to pay the termination fee described above, if applicable.

### **The Shareholder Representative**

Each Tutor-Saliba shareholder has appointed Mr. Tutor as the shareholder representative to serve as its and their true and lawful agent and attorney-in-fact. In such capacity, the shareholder representative may take any action on behalf of the shareholders of Tutor-Saliba, and may bind them under the Merger Agreement and any other related agreement.

### **Amendments, Extensions and Waivers**

*Amendments.* The Merger Agreement may be amended by the parties, except that any amendment after the Perini shareholders meeting that by law requires approval by shareholders may not be made without such approval. The Merger Agreement may not be amended by Perini without the approval of the Special Committee or, if such committee shall no longer be constituted, a majority of the independent directors of Perini. All amendments to the Merger Agreement must be in writing signed by each party.

*Extensions and Waivers.* At any time prior to the completion of the merger, any party to the Merger Agreement may extend the time for the performance of any of the obligations or other acts of any other party; waive any inaccuracies in the representations and warranties of any other party contained in the Merger Agreement or in any document delivered pursuant to the Merger Agreement; or subject to the restrictions described in the immediately preceding paragraph, waive compliance by any other party with any of the agreements or conditions contained in the Merger Agreement. All extensions and waivers must be in writing and signed by the party against whom the extension or waiver is to be effective. Any waiver of a condition to the merger by Perini would be made by Perini only if, in the judgment of the Perini board of directors, the waiver was in the best interests of Perini shareholders. Perini does not have any current intention to waive any condition

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to the merger and cannot predict the circumstances under which it would do so. Perini would re-solicit the votes of its shareholders if it decided to waive a material condition to the merger, including the condition that Perini receive an opinion of its counsel which provides that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

*Governing Law.* The Merger Agreement is governed by the laws of New York, other than with respect to certain provisions and actions related thereto that are governed by the laws of California and Massachusetts, as appropriate.

### **The Shareholders Agreement**

Simultaneously with the execution of the Merger Agreement, we entered into the Shareholders Agreement with Mr. Tutor, as the shareholder representative, and each of the Tutor-Saliba shareholders who will become shareholders of Perini upon completion of the merger. The Shareholders Agreement will become effective upon the completion of the merger.

*The following is a summary of the material terms of the Shareholders Agreement. This summary does not purport to describe all the terms of the Shareholders Agreement and is qualified by reference to the complete Shareholders Agreement, which is attached as Annex B to this proxy statement and incorporated by reference in this proxy statement. All shareholders of Perini are urged to read the Shareholders Agreement carefully and in its entirety.*

### **The Shareholder Representative**

Mr. Tutor has agreed to serve as the shareholder representative of the former Tutor-Saliba shareholders under the Shareholders Agreement. He shall serve in such capacity until his resignation as the shareholder representative or his death or mental or physical incapacity. If Mr. Tutor ceases to serve as the shareholder representative under the Shareholders Agreement, the Tutor Group shall select a replacement shareholder representative.

### **Composition of the Board of Directors**

The Shareholders Agreement provides that the shareholder representative will have the right to designate two nominees for election to the Perini board of directors for so long as the Tutor Group owns at least 22.5% of the outstanding shares of Perini common stock and one nominee if the Tutor Group owns less than 22.5% but more than 11.25% of the outstanding shares of Perini common stock. In addition, for so long as Mr. Tutor serves as the chief executive officer of Perini, he will be nominated for election to the Perini board of directors. The remaining members of the Perini board of directors will be nominated by the Nominating and Governance Committee of the Perini board of directors. At each meeting of Perini shareholders following the completion of the merger at which directors of Perini are to be elected, Perini has agreed to nominate for election to the Perini board of directors and recommend the election of the shareholder representative's designees and Mr. Tutor (as long as he serves as Perini's chief executive officer), subject to certain limitations to comply with law, governance requirements or eligibility for listing on a securities exchange or if a nominee is deemed to be unfit to serve as a director of an NYSE-listed company or otherwise does not meet applicable eligibility criteria.

The Tutor Group is expected to own approximately 43% of the outstanding shares of Perini common stock immediately following the closing of the merger. Pursuant to the Shareholders Agreement, the Perini board of directors at the effective time of the merger would be comprised of Mr. Tutor, two designees of the shareholder representative and eight other directors nominated by the Nominating and Governance Committee of the Perini board of directors (which are expected to include all of Perini's existing directors). Mr. Tutor has designated C.L. Max Nikias as one of the shareholder representative's board designees, and he will be appointed as a new member of the Perini board of directors upon the completion of the merger. As of the date of this proxy statement, Mr. Tutor has not elected to exercise his right to nominate a second director for election, although he has not waived the right to do so in the future. Accordingly, Perini expects that, at the effective time of the

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merger, the Perini board of directors will be comprised of Mr. Tutor, Mr. Nikias and nine other directors recommended by the Nominating and Governance Committee of the Perini board of directors.

To the extent permitted by applicable law and the rules of the principal stock exchange on which Perini common stock is listed and to the extent determined by the Nominating and Governance Committee of the Perini board of directors, the shareholder representative will be entitled to have one of his designees serve on each committee of the Perini board of directors.

## **Voting Restrictions**

Pursuant to the Shareholders Agreement, the Tutor Group will vote all of their shares of Perini common stock in support of the Perini board of directors slate of directors as described above.

In addition, on all other matters to be voted on by shareholders of Perini, the Shareholders Agreement provides that the Tutor Group will vote their shares of Perini common stock that are, in the aggregate, equal to up to 20% of the voting power of the outstanding shares of Perini common stock, in their discretion and the balance of their shares of Perini common stock in the same proportions as all other shares of Perini common stock (excluding the Tutor Group) are voted on such matter.

The Tutor Group has agreed not to grant any proxies with respect to Perini common stock or enter into any arrangement with respect to the voting of or taking action with respect to shares of Perini common stock other than as provided under the Shareholders Agreement.

These restrictions on voting remain in effect until the later of the third anniversary of the effective time of the merger or the date on which the Tutor Group owns less than 20% of the aggregate issued and outstanding shares of Perini common stock.

## **Standstill**

Pursuant to the Shareholders Agreement, until the later of the third anniversary of the effective time of the merger or the date on which the Tutor Group owns less than 20% of the outstanding shares of Perini common stock, the Tutor Group may not take certain actions that may be deemed to be actions to obtain control of Perini, including:

acquiring or offering to acquire shares of Perini common stock that will result in the Tutor Group collectively owning shares of Perini common stock equal to more than the percentage of the total outstanding shares of Perini common stock to be held by them at the effective time of the merger (approximately 43%);

directly or indirectly soliciting proxies;

forming a group within the meaning of the federal securities laws;

granting any proxies or voting power with respect to their shares or depositing any shares in a voting trust;

initiating shareholder proposals;

seeking election of new board members or replacement of current board members;

seeking to call shareholder meetings;

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making any public announcement or proposal with respect to any form of business combination transaction involving Perini; or

seeking publicly to have Perini waive, amend or modify any of the standstill provisions contained in the Shareholders Agreement.

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These standstill restrictions will not prohibit or restrict any action taken by a director or designee of the shareholder representative as a member of the Perini board of directors or the exercise of any voting rights with regard to shares of Perini common stock.

### **Transfer Restrictions**

The Shareholders Agreement provides that for six months after the completion of the merger, none of the former Tutor-Saliba shareholders may transfer or dispose of the shares of Perini common stock acquired pursuant to the merger other than to certain affiliated persons or pursuant to the exercise of piggyback registration rights described below following the decision by Perini to register shares of Perini common stock.

After the six-month anniversary of the completion of the merger, the Tutor Group will not be permitted to transfer shares of Perini common stock unless after doing so they continue to collectively own at least 70% of the shares of Perini common stock acquired by them pursuant to the merger. This restriction on the transfer of shares continues until the later of the fifth anniversary of the effective time of the merger or the date on which the Tutor Group owns less than 20% of the aggregate issued and outstanding shares of Perini common stock. After the fifth anniversary of the effective time of the merger or following the termination of Mr. Tutor's employment without Cause pursuant to the Employment Agreement, such restrictions lapse and the Tutor Group may transfer shares of Perini common stock so long as such transfers do not include a transfer of shares directly or indirectly equal to 15% of the total voting power of Perini to any person or group. In addition, all transfer restrictions under the Shareholders Agreement terminate on the date that is the later of the fifth anniversary of the completion of the merger and such time as the Tutor Group collectively ceases to own 20% of the aggregate issued and outstanding shares of Perini common stock. Notwithstanding the foregoing, the former Tutor-Saliba shareholders may transfer or dispose of shares of Perini common stock in any transactions approved by a majority of the Perini board of directors, excluding Mr. Tutor and the directors designated by him in his capacity as the shareholder representative.

### **Registration Rights**

Pursuant to the Shareholders Agreement, Perini has agreed to give the Tutor-Saliba shareholders who will become Perini shareholders pursuant to the merger certain registration rights with respect to the shares of Perini common stock acquired pursuant to the merger.

*Demand Registration.* Following the six-month anniversary of the effective time of the merger and subject to the continuing effect of the transfer restrictions set forth in the Shareholders Agreement noted above, the shareholder representative may require Perini to register shares of Perini common stock issued to the Tutor Group in connection with the merger for resale under the Securities Act in an underwritten offering. The shareholder representative may exercise this demand registration right on up to three occasions. Perini will use its reasonable best efforts to qualify for registration on Form S-3. These demand registration rights are subject to customary conditions and limitations. Perini is responsible for paying the expenses of any such registration.

*Piggyback Registration.* If we propose to register any securities under the Securities Act, each Tutor-Saliba shareholder who will become Perini shareholders pursuant to the merger must receive notice of the registration and to include its shares of Perini common stock in the registration. These piggyback registration rights are subject to customary conditions and limitations, including the right of the underwriters of an offering to limit the number of shares included in such registration and Perini's right not to effect a requested registration. Perini is responsible for paying the expenses of any such registration.

*Governing Law.* The Shareholders Agreement is governed by the laws of Massachusetts.

### **The Employment Agreement**

Simultaneously with the execution of the Merger Agreement, we entered into the Employment Agreement with Mr. Tutor. The Employment Agreement will become effective upon the completion of the merger.

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*The following is a summary of the material terms of the Employment Agreement. This summary does not purport to describe all the terms of the Employment Agreement and is qualified by reference to the complete Employment Agreement, which is attached as Annex C to this proxy statement and incorporated by reference in this proxy statement. All shareholders of Perini are urged to read the Employment Agreement carefully and in its entirety.*

*Position; Compensation and Benefits.* Under the Employment Agreement, Mr. Tutor will serve as chief executive officer of Perini, and as a member and the chairman of the Perini board of directors. Mr. Tutor has agreed to devote his reasonable best efforts and full business time to the performance of his duties under the Employment Agreement and the advancement of the business and affairs of Perini, other than his service on other boards of directors and charitable organizations and the maintenance of his family investments. He will receive an initial annual base salary of \$1.5 million, subject to annual review and upward adjustment, an annual performance-based cash bonus opportunity equal to 175% of his base salary if target performance levels established by the Compensation Committee of the Perini board of directors are satisfied (with greater or lesser amounts paid if performance levels are above or below such target level), and will be eligible to participate in Perini's equity incentive plan to be adopted after the effective time of the merger.

*Term.* The initial term of the Employment Agreement is five years, commencing on the effective date of the merger. The term extends automatically for successive one-year periods, unless either party notifies the other at least 90 days in advance of the expiration of the Employment Agreement that it does not intend to renew the Employment Agreement.

*Termination.* If (i) we terminate Mr. Tutor's employment for any reason other than for Cause or disability, or (ii) Mr. Tutor terminates his employment for Good Reason (as such terms are defined in the Employment Agreement), Mr. Tutor will be entitled to receive a severance package consisting of the following payments and benefits:

any earned but unpaid base salary and all other accrued benefits through the date of employment termination will be paid;

Mr. Tutor will receive a pro rata bonus for the calendar year in which his employment ends equal to the amount of such bonus that would have been paid to him had he remained with Perini for that entire calendar year, pro rated for the portion of the year he worked prior to his termination;

a cash payment equal to two times the sum of his base salary and target bonus for the year of termination;

immediate vesting of all outstanding equity awards Mr. Tutor holds; and

continued benefits for Mr. Tutor and his dependents for a period of 24 months.

If Mr. Tutor's employment is terminated other than for Cause or Disability during the two years following a Change of Control of Perini (as such terms are defined in the Employment Agreement) Mr. Tutor is entitled to the payments above, except that instead of receiving the cash payment equal to two times the sum of his base salary and target bonus for the year of termination, Mr. Tutor would receive a cash payment equal to three times the sum of his base salary and target bonus, and the continued benefits for Mr. Tutor and his dependents will continue for the greater of 36 months and the remaining term of his Employment Agreement.

If Mr. Tutor's employment is terminated due to his death or due to his Disability, then (i) any earned but unpaid base salary and all other accrued benefits through the date of employment termination will be paid, and (ii) all outstanding equity awards held by him shall immediately vest.

Perini will generally have Cause to terminate Mr. Tutor's employment in the following circumstances: (i) his conviction of, or plea of nolo contendere to, a felony; (ii) his willful and continued failure to substantially perform his essential job functions; (iii) his material act of fraud or willful and material misconduct to Perini; (iv) his willful and material breach of the employment contract; (v) a material breach by him of any material



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written Perini policy; or (vi) a failure by him to cooperate in any investigation or audit regarding the accounting practices, financial statements, or business practices of Perini. For purposes of this provision, no act or failure to act, on the part of Mr. Tutor, shall be considered willful unless it is done, or omitted to be done, by Mr. Tutor in bad faith or without reasonable belief that his action or omission was in the best interest of Perini. Any termination for Cause generally requires written notice to Mr. Tutor and providing him with 10 days to cure the conduct after such notice. The Perini board of directors must also vote affirmatively that Mr. Tutor is to be terminated for Cause after giving him an opportunity to be heard by the full board.

Mr. Tutor will generally have Good Reason to terminate his employment under any of the following circumstances: (i) any adverse change in his titles; (ii) any reduction in his base salary; (iii) a material diminution in his authority, responsibilities or duties; (iv) the assignment of duties materially inconsistent with his position; (v) a relocation of his place of employment to a location more than 50 miles further from the current offices near Los Angeles, California; (vi) any other material breach of the terms the Employment Agreement or (vii) the failure of Perini to have his contract assumed after a merger, consolidation, sale or similar transaction. In order to invoke a termination for Good Reason, Mr. Tutor must notify Perini of the existence of the event of Good Reason within 90 days of its occurrence, Perini must fail to cure the event within 30 days of the notice, and Mr. Tutor must terminate his employment within 10 days of the expiration of such period.

*Perquisites and Benefits.* Mr. Tutor is entitled to various perquisites and benefits as set forth in the Employment Agreement; including, (i) 150 hours of flying time per calendar year of personal use of Perini's business jet, with any unused balance being carried forward to subsequent years while employed; (ii) use of an automobile and driver, and use of an apartment in Las Vegas, Nevada, in each case on terms and conditions to be determined by the Perini board of directors; (iii) participation in all fringe benefits and perquisites made available generally to senior executives of Perini, generally on the same terms and conditions, (iv) 30 days vacation; (v) participation in all pension, retirement, profit sharing, savings, 401(k), income deferral, life insurance, disability insurance, accidental death and dismemberment protection, travel accident insurance, hospitalization, medical, dental, vision and other employee benefit plans, programs and arrangements made available generally to other senior executives of the Perini, to the extent eligible. Furthermore, Perini will obtain, on behalf of Mr. Tutor, life insurance coverage under term or ordinary life insurance polici(es) (at his choice) with an aggregate annual premium cost not to exceed \$175,000.

*Non-Competition.* Mr. Tutor has agreed that during the term of his employment with Perini and for two years after the end of his employment (unless his employment is terminated by Perini without Cause or he terminates his employment for Good Reason), he will not compete with Perini or solicit certain of its employees. Mr. Tutor has also agreed to be bound by customary restrictions on disclosure of confidential information.

*Tax Gross Up.* If Mr. Tutor's benefits and payments become subject to an excise tax under Section 4999 of the Internal Revenue Code in connection with a change in control of Perini, he will be entitled to an additional gross up payment to compensate him for the amount of this additional excise tax.

*Governing Law.* The Employment Agreement is governed by the laws of California.

## **Post-Merger Governance and Management**

### **Board of Directors**

As described above, upon the completion of the merger, Mr. Tutor (as the shareholder representative for the former Tutor-Saliba shareholders) will have the right to designate two nominees for election to the Perini board of directors and, for so long as Mr. Tutor serves as our chief executive officer, he will be nominated for election to the Perini board of directors. Please see The Shareholders Agreement beginning on page 81 for a description of the composition of the Perini board of directors following completion of the merger.

The Shareholders Agreement provides that the Perini board of directors at the effective time of the merger will be comprised of Mr. Tutor, two designees of the shareholder representative and eight other directors nominated by



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the Nominating and Governance Committee of the Perini board of directors (which are expected to include all of Perini's existing directors). It is expected that the eight current members of the board will be joined by Marilyn A. Alexander, Donald D. Snyder and Mr. Nikias. Mr. Tutor has designated Mr. Nikias as one of the shareholder representative's board designees, and he will be appointed as a new member of the Perini board of directors upon the completion of the merger. As of the date of this proxy statement, Mr. Tutor has not elected to exercise his right to nominate a second director for election, although he has not waived the right to do so in the future. Accordingly, Perini expects that at the effective time of the merger, the Perini board of directors will be comprised of Mr. Tutor, Mr. Nikias and nine other directors recommended by the Nominating and Governance Committee of the Perini board of directors. Mr. Tutor has advised the Perini board of directors that should he choose to designate a second person for appointment to the board of directors at a time when the board already included eleven members, he would support a temporary expansion of the board to twelve members to accommodate such additional member. Such expansion would continue until the next meeting of shareholders at which directors are elected, at which time he would expect the size of the board to be reduced back to eleven members (as contemplated by the Shareholders Agreement) and the slate of nominees for election to be adjusted accordingly.

Following the closing of the merger, and assuming the Perini shareholders elect the four director-nominees listed in Proposal 3 and assuming that Mr. Tutor appoints Mr. Nikias to serve as a director, the Perini board of directors will be classified in accordance with our By-Laws as follows:

Class I directors (with terms expiring in 2009): Robert Band, Michael R. Klein, and Robert L. Miller.

Class II directors (with terms expiring in 2010): Williard W. Brittain, Jr., Robert A. Kennedy, C.L. Max Nikias and Ronald N. Tutor.

Class III directors (with terms expiring in 2011): Marilyn A. Alexander, Peter Arkley, Raymond R. Oneglia and Donald D. Snyder.

## **Voting Restrictions**

Pursuant to the Shareholders Agreement, Mr. Tutor has agreed to certain restrictions on his rights to vote the shares of Perini common stock that he will control following the completion of the merger. Please see "The Shareholders Agreement" beginning on page 81 for a description of the restrictions applicable to Mr. Tutor's voting rights pursuant to the Shareholders Agreement.

## **Management**

Other than the Employment Agreement, as of the date of this proxy statement, neither we nor any of our affiliates has entered into any employment agreements with our management in connection with the merger, nor amended or modified any existing employment agreements. Upon completion of the merger, Mr. Tutor will continue to serve as chief executive officer and as a member and chairman of the Perini board of directors, subject to the terms and conditions of the Employment Agreement. We currently intend to retain members of our management team following the merger.

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**INFORMATION ABOUT TUTOR-SALIBA**

**Tutor-Saliba Business**

Tutor-Saliba is a leading civil infrastructure and commercial building construction company that focuses on large, complex projects, usually ranging from \$100 million to \$1 billion or more in size. Tutor Saliba manages all aspects of these projects, including design-build, design-bid-build and pre-construction services for project owners. These capabilities, together with its significant capacity to self-perform critical construction specialties such as concrete forming and placement, site excavation and support of excavation, and electrical and mechanical services, are the core strengths of Tutor-Saliba.

Tutor-Saliba operates in three segments: domestic building, domestic civil and international. Its domestic building operations are predominately in Nevada and California, where Tutor-Saliba maintains large offices. Its domestic civil operations have been historically focused primarily in California and New York, and it plans to expand by pursuing attractive infrastructure opportunities elsewhere in the United States. Its international operations are conducted primarily on the island of Guam and in the Philippines.

Tutor-Saliba disposed of the property comprising its commercial real estate segment in January 2008, as discussed below. The real estate operations are classified in discontinued operations. Accordingly, Tutor-Saliba did not discuss the impact of that segment on its overall performance.

Tutor-Saliba's growth has been driven by its success in winning contracts and effectively performing public infrastructure development and public and private sector building construction projects over many years. In 2007, Tutor-Saliba experienced growth in revenues and earnings in all of its business segments.

Below is a list of key factors that Tutor-Saliba believes will affect its future performance:

In its domestic building segment, the availability of opportunities for major construction projects depends on significant capital spending commitments by project sponsors in the markets served by Tutor-Saliba. For example, Tutor-Saliba's business in recent periods has benefited significantly from two ongoing projects in Las Vegas (the Wynn Encore and Planet Hollywood Tower), which were awarded in 2006. These projects will continue to drive Tutor-Saliba's operating performance in 2008. Tutor-Saliba believes that it can capitalize on its success on these projects and win significant additional casino hotel project opportunities in Las Vegas and elsewhere. The number and size of these future opportunities will be determined in part by consumer demand for upscale casino hotel gaming experiences, and by the availability of financing in the capital markets for project sponsors. Tutor-Saliba believes there will be continuing opportunities for public and private sector building construction in other fields as, for example, inefficient government buildings are replaced (such as the Los Angeles Police Headquarters building Tutor-Saliba is completing) and as the continuing growth of the healthcare sector and the aging of the "baby boom" creates demand for modern hospitals.

The pace of investment in infrastructure and the timing and availability of opportunities for its domestic civil segment to win new contracts in any particular period is a function of many factors including annual appropriations, development schedules, the availability of federal matching funds, administrative approvals and governmental priorities, which can in turn be affected by state and local budget conditions. There is widespread consensus that infrastructure in the United States has been substantially undercapitalized, as evidenced by major legislative initiatives in the United States Congress, California and other states and municipalities in recent years. These legislative initiatives have earmarked significant funds for highway, bridge, airport and other infrastructure projects that Tutor-Saliba believes will present it with significant opportunities for continued expansion.

Tutor-Saliba is expanding its international segment on the island of Guam, where it is the largest contractor in the market, to take advantage of the announced planned relocation of 8,000 United States Marines and other military personnel from Okinawa, Japan. These Guam activities will generate an estimated \$10.3 billion of projects for the construction industry over a period of approximately seven years beginning in 2009.

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Tutor-Saliba's senior management team is directly involved in each bidding process, and no major bid is submitted and no major contract is entered into without the approval of Tutor-Saliba's senior management, including its president and chief executive officer, Ronald N. Tutor. Tutor-Saliba's approach is to bid selectively on projects that are consistent with its profitability goals, and not to pursue low-margin projects or projects that have schedules or other requirements that it believes pose unacceptable performance risks. As a result of its experience in bidding, negotiating and performing large, complex projects over many years, its familiarity with key suppliers and subcontractors in its markets, its ability to self-perform many construction specialties, and its track record of performing its projects on time and on budget, Tutor-Saliba has been able to achieve substantial returns for its shareholders.

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

Most of Tutor-Saliba's business is conducted under fixed price and guaranteed maximum price contracts. Tutor-Saliba's profitability therefore depends to a large degree on its ability to accurately forecast costs and timetables for a potential project when it bids or negotiates the contract, and to successfully control project costs and meet project schedules when it performs the contract. Tutor-Saliba's ability to accurately estimate and provide for the necessary workforce, materials and subcontractors for each project directly affects its contract profitability. If Tutor-Saliba underestimates its costs, or if it fails to meet its projected schedules, its performance can be adversely affected, and the impact on a particular quarter or year can be significant under percentage-of-completion accounting, as discussed under "Critical Accounting Policies" beginning on page 88.

Tutor-Saliba's estimating process is extensive, and it maintains separate estimating departments for its domestic civil, domestic building and international segments. Tutor-Saliba's estimating function benefits from its long relationships with union and non-union labor providers and subcontractors in Tutor-Saliba's key markets, and Tutor-Saliba generally contracts for its principal estimated material needs (e.g., concrete and steel) at the beginning of each job. In some of Tutor-Saliba's contracts, it is able to pass certain cost increases (through contingency and escalation clauses) along to the customer. Tutor-Saliba requires many subcontractors to obtain performance bonds, and Tutor-Saliba often obtains bonding to protect against materials delivery defaults (through materials supply bonds) and subcontractor non-performance (through contractor default insurance), with premiums for any such bonds and insurance included in its bids, subject to deductibles at its risk. Tutor-Saliba owns substantially all of its equipment fleet, and the depreciation and amortization expense it incurs for equipment is substantially less than what rental cost would be for the same fleet. Tutor-Saliba does not maintain a separate sales force, as the size of its projects generally requires direct, extensive management involvement with project sponsors in each bid proposal.

Tutor-Saliba's ability to estimate performance schedules is also of critical importance, as it can earn additional profit if it completes a project ahead of schedule, whether through contractual bonuses and/or avoiding anticipated costs. If Tutor-Saliba fails to meet contractual performance schedules it may be subject to additional costs that reduce its profitability and/or liquidated damages to the project owner.

Because Tutor-Saliba works on very large projects that are generally completed over a period of 30 to 42 months, its revenues and earnings at any point in time are frequently concentrated in a few projects in each segment. For example, in the three months ended March 31, 2008, Tutor-Saliba's domestic building segment generated 56.1% and 19.0% of revenues, from the Las Vegas Wynn Encore and Las Vegas Planet Hollywood Tower projects, respectively. Similarly, in that same period, Tutor-Saliba's domestic civil segment generated 39.2% of its revenues from the Los Angeles International Airport Runway and Taxiway Improvements project. Tutor-Saliba's customers are either government agencies or large, well-financed private entities and it has not historically had any meaningful customer credit issues and does not presently maintain any reserve for doubtful accounts. Tutor-Saliba's government customers generally require contractors bidding on major projects to pre-qualify based on financial strength, experience and other factors, and it has been able to consistently pre-qualify and win repeat contracts with Caltrans and other state agencies and educational institutions when it has been the

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low bidder. For private sector work, Tutor-Saliba maintains strong relationships with clients who appreciate Tutor-Saliba's ability to deliver projects. Tutor-Saliba continuously evaluates new opportunities with customers that have major building needs and selects the best opportunity to replace its large existing projects as they are completed in order to replenish its backlog and continue expanding.

In certain of its projects, particularly in its domestic civil segment, Tutor-Saliba enters into joint venture arrangements with other contractors. Since 1977, Tutor-Saliba has been involved in 35 joint ventures with Perini with aggregate project values over \$3 billion. Each of the joint venture participants is usually committed to supply a predetermined percentage of capital and bonding capacity, as required, and to share in a predetermined percentage of the income or loss of the project. Depending on geographic location, one of the venture partners generally takes operating control of the project, with the other partners primarily providing financial support. Tutor-Saliba typically has management responsibility for joint ventures located in the western United States, while other partners have had operational control of joint ventures in the eastern United States. Historically, Tutor-Saliba accounted for joint ventures using the equity method of accounting. In 2007, Tutor-Saliba changed its method of reporting its interests in joint ventures to the proportionate consolidation method, with its financial statements reflecting its proportionate interest in the assets, liabilities and results of operations of each venture. Ordinarily, joint ventures are structured as general partnerships, and each participant is fully liable for the obligations of the joint venture. Tutor-Saliba will continue to seek out attractive joint venture opportunities in its existing markets and throughout the United States.

Tutor-Saliba elected to be taxed as a subchapter S corporation effective January 1, 1996. The provision for taxes reflected in Tutor-Saliba's historical financial statements in this proxy statement relates primarily to its subsidiary, Black Construction Corporation, which conducts Tutor-Saliba's international segment operations and is not subject to Tutor-Saliba's subchapter S corporation election. Tutor-Saliba will cease to be a subchapter S corporation upon the completion of the merger.

## **Recent Developments and Expected 2008 Events**

### **Acquisitions**

In late 2007 and early 2008, Tutor-Saliba completed two acquisitions of subcontractors and the acquisition of certain assets to establish an aggregates production operation. It intends to continue to consider acquisition opportunities that expand its ability to self-perform construction specialties and to expand its geographic reach in the United States. When Tutor-Saliba acquires subcontractors, it expects that they will generally continue to subcontract for jobs on projects other than Tutor-Saliba's projects as an additional source of revenue.

*Desert Plumbing & Heating Co., Inc.* On January 4, 2008, Tutor-Saliba completed the stock purchase of Desert Plumbing & Heating Co., Inc. (DPH), located in Las Vegas, Nevada, for \$35 million in cash. In addition to this cash consideration, Tutor-Saliba has also agreed to pay the former owner of DPH a percentage of DPH's earnings over the next three years, up to a maximum of \$4 million annually. Upon the completion of the merger, this amount will become fixed at \$12 million in the aggregate and will no longer be contingent upon DPH's earnings and will be payable in annual installments of \$4 million in each of 2008, 2009 and 2010 (assuming completion of the merger in 2008). Tutor-Saliba has the right to pay this \$12 million amount in cash or stock. Based on preliminary purchase accounting estimates, at December 31, 2007, DPH had \$24.7 million in liabilities, making the total value of the transaction \$59.7 million (before the contingent payment), resulting in intangible assets (including goodwill) of \$27.5 million (plus \$12 million for the contingent payment on a pro forma basis) and additional tangible assets of \$32.2 million, subject to final completion of purchase accounting adjustments.

*Powerco Electric Corp.* On September 12, 2007, Tutor-Saliba completed the stock purchase of Powerco Electric Corp., an electrical subcontractor, for \$3.3 million in cash. The acquisition was effective as of September 30, 2007 and included the assumption of \$25.7 million in Powerco's liabilities for a total consideration of \$29 million, which included intangibles (including goodwill) of \$7 million and tangible assets of

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\$22 million. Substantially all of Powerco's work prior to acquisition was as a subcontractor for Tutor-Saliba, and most of Powerco's contracts with Tutor-Saliba were not profitable to Powerco. Tutor-Saliba had previously advanced working capital funds to Powerco starting in May 2005 to help mitigate its cash flow difficulties on several of its subcontracts on Tutor-Saliba's projects. At the effective date of the acquisition, the sum of these advances had reached \$17.8 million. These liabilities and Tutor-Saliba's related receivable were eliminated on consolidation.

*North Valley Commerce Center, Building G.* On October 30, 2007, Tutor-Saliba entered into an agreement to purchase the North Valley Commerce Center, Building G, in Sylmar, California for \$6.5 million in cash. The property will include an office and warehouse facility, which are currently under construction. As of January 25, 2008, Tutor-Saliba had made initial deposits for the property totaling \$0.3 million into an escrow account. The purchase is expected to close upon substantial completion of the office and warehouse facility.

*Aggregates Business.* On March 7, 2008, Tutor-Saliba entered into an agreement for the transfer and purchase of certain mineral material mining contracts, equipment, and material stockpiles used to operate All Star Aggregate, Inc.'s existing business in Sloan Pit, which is located in Clark County, Nevada, for a purchase price of \$5.2 million in cash. In connection with that transaction, on March 12, 2008, Tutor-Saliba entered into a ten-year renewable contract with the Bureau of Land Management (BLM) for the extraction of 19.5 million tons of limestone aggregate on land located at Mount Diablo Meridian, Nevada. Pursuant to Tutor-Saliba's September 12, 2007 bid of \$0.90 per ton and a \$0.01 per ton administrative fee, the contract price totals approximately \$17.7 million and requires a 5% deposit of \$0.9 million prior to beginning extraction. The balance of the contract price will be paid monthly over the contract term based upon the value of materials removed in the prior month. In addition, Tutor-Saliba is obligated under a separate agreement to pay a third-party finders fee related to the transaction in the amount of \$0.3 million.

**Amended and Restated Credit Agreement**

On September 17, 2007, Tutor-Saliba entered into a new Senior Secured Revolving Credit Facility with Comerica Bank, as administrative agent, and two participant lenders. Subsequently, on May 12, 2008, Tutor-Saliba executed the First Amendment to Revolving Credit Agreement. For a description of Tutor-Saliba's new agreement, please see *Liquidity and Capital Resources - Cash and Working Capital* beginning on page 101. Tutor-Saliba expects to enter into an amendment to this credit agreement, or enter into a new credit agreement, in connection with the merger.

**Subchapter S Dividends; Termination of Subchapter S Status**

In January and April of 2008, Tutor-Saliba distributed \$27.9 million and approximately \$11.6 million, respectively, to its shareholders to facilitate their payment of income taxes attributed to them as a result of Tutor-Saliba's status as a subchapter S corporation. In connection with the consummation of the merger, Tutor-Saliba will distribute an estimated \$120 million in cash or notes to its shareholders, as its final subchapter S distribution. This amount represents a return of invested capital (with respect to certain shareholders), earnings and profits from years prior to Tutor-Saliba's S election and amounts of its net income that have been or will be subject to taxes to its shareholders in respect of periods prior to December 31, 2007, less distributions previously made to its shareholders with respect to such net income. Tutor-Saliba will cease to be a subchapter S corporation upon the consummation of the merger.

**Distribution of Commercial Real Estate; Distribution of Residential Real Estate**

Effective January 1, 2008, Tutor-Saliba transferred its interest in its commercial real estate segment, comprised of an interest in an office building, of which one of its subsidiaries was the majority owner, in exchange for the 2% beneficial interest in Black Construction Company that it did not already own. The property was transferred to the minority interest holder, which is owned by Mr. Tutor. The net book value of the property and equipment transferred was \$26.8 million at December 31, 2007 and the minimum future rental income as of

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December 31, 2007 was \$18.3 million. The transferee is assuming mortgage debt of \$24.4 million. As a result of this transaction, the assets, liabilities and operating results associated with this business will be reflected in Tutor-Saliba's consolidated financial statements as discontinued operations. Prior to completion of the merger, Tutor-Saliba will also distribute to its shareholders a residential property in Ketchum, Idaho for its fair market value of approximately \$3.5 million.

**2008 Compensation Charge for 2007 Sale of Stock**

In October, 2007, a trust controlled by Mr. Tutor sold an aggregate of 34,500 shares of Tutor-Saliba common stock, representing 3.8% of Tutor-Saliba's outstanding common equity, to certain Tutor-Saliba executives for an aggregate purchase price of \$9.6 million, paid in the form of recourse notes payable by such executives. There are buy-sell agreements between the executives and the trust that allow the trust to repurchase the shares at cost or such other price as the trust may determine, and these provisions will lapse upon completion of the merger with Perini. This lapse will result in a non-cash compensation charge to Tutor-Saliba's 2008 earnings in the quarter in which the merger is completed. The determination of such a charge and its amount, which could be significant, will be calculated in accordance with Statement of Financial Accounting Standards No. 123R, *Share-Based Payments*.

**Backlog Analysis for 2005, 2006 and 2007**

Tutor-Saliba includes a project in its backlog when the contract has been signed and financing is in place. Tutor-Saliba reduces backlog as revenue is recognized in accordance with its application of percentage-of-completion accounting. In Tutor-Saliba's domestic operations, it received significant new contract awards in 2006 for the \$1.3 billion Las Vegas Wynn Encore and the \$488 million Las Vegas Planet Hollywood Tower, scheduled for completion in 2009. These projects increased Tutor-Saliba's year-end backlog to a record of \$2.3 billion at December 31, 2006, up from \$508.7 million at December 31, 2005. These large projects required Tutor-Saliba to establish a permanent office in Las Vegas and otherwise expand to provide the necessary administrative and logistical support necessary to meet its contractual obligations and production schedules. These projects were in full production during all of 2007 and should be substantially completed by the end of 2008 (even though the Las Vegas projects are not scheduled for final completion until 2009). Tutor-Saliba continues to seek additional major projects in 2008 to build up its backlog for work in 2008 and beyond. In Tutor-Saliba's international operations, it was awarded three major projects in 2007 totaling \$106.4 million (Home Depot Guam, Old Apra Housing and USN Global Hawk Aircraft Maintenance Facility), with all of these projects having started construction in 2007 and continuing into 2008 and beyond. In Tutor-Saliba's civil operations, its largest new project is the \$241 million Los Angeles International Airport Runway and Taxiway Improvements project, awarded in late 2005.

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The following tables provide a summary of Tutor-Saliba's backlog by segment for the years ended December 31, 2005, 2006 and 2007, and for the three months ended March 31, 2008. Tutor-Saliba expects that 95% of its March 31, 2008 backlog will be recognized as revenue within the next 18 months.

	<b>Backlog at December 31, 2007</b>	<b>New Business Awarded (1)</b>	<b>Revenue Recognized (in thousands)</b>	<b>Backlog at March 31, 2008</b>
Domestic Building	\$ 1,396,493	\$ 88,377	\$ 341,470	\$ 1,143,400
Domestic Civil	95,429	24,935	34,196	86,168
<b>Total Domestic</b>	<b>1,491,922</b>	<b>113,312</b>	<b>375,666</b>	<b>1,229,568</b>
International	99,600	125	19,297	80,428
<b>Total</b>	<b>\$ 1,591,522</b>	<b>\$ 113,437</b>	<b>\$ 394,963</b>	<b>\$ 1,309,996</b>

	<b>Backlog at December 31, 2006</b>	<b>New Business Awarded (1)</b>	<b>Revenue Recognized (in thousands)</b>	<b>Backlog at December 31, 2007</b>
Domestic Building	\$ 2,034,037	\$ 258,580	\$ 896,124	\$ 1,396,493
Domestic Civil	212,933	56,773	174,277	95,429
<b>Total Domestic</b>	<b>2,246,970</b>	<b>315,353</b>	<b>1,070,401</b>	<b>1,491,922</b>
International	35,348	145,675	81,423	99,600
<b>Total</b>	<b>\$ 2,282,318</b>	<b>\$ 461,028</b>	<b>\$ 1,151,824</b>	<b>\$ 1,591,522</b>

	<b>Backlog at December 31, 2005</b>	<b>New Business Awarded (1)</b>	<b>Revenue Recognized (in thousands)</b>	<b>Backlog at December 31, 2006</b>
Domestic Building	\$ 210,411	\$ 2,144,029	\$ 320,403	\$ 2,034,037
Domestic Civil	278,560	76,248	141,875	212,933
<b>Total Domestic</b>	<b>488,971</b>	<b>2,220,277</b>	<b>462,278</b>	<b>2,246,970</b>
International	19,713	67,814	52,179	35,348
<b>Total</b>	<b>\$ 508,684</b>	<b>\$ 2,288,091</b>	<b>\$ 514,457</b>	<b>\$ 2,282,318</b>

	<b>Backlog at January 1, 2005</b>	<b>New Business Awarded (1)</b>	<b>Revenue Recognized (in thousands)</b>	<b>Backlog at December 31, 2005</b>
Domestic Building	\$ 363,314	\$ 76,002	\$ 228,905	\$ 210,411
Domestic Civil	108,954	286,652	117,046	278,560
<b>Total Domestic</b>	<b>472,268</b>	<b>362,654</b>	<b>345,951</b>	<b>488,971</b>
International	27,963	33,389	41,639	19,713

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Total	\$ 500,231	\$ 396,043	\$ 387,590	\$ 508,684
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- (1) New business awarded consists of the original contract price of projects added to Tutor-Saliba's backlog plus or minus subsequent changes to the estimated total contract price of existing contracts and the balance of existing contracts obtained through acquisitions.

### **Critical Accounting Policies**

Tutor-Saliba's financial statements have been prepared in conformity with GAAP, which requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



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Although Tutor-Saliba's significant accounting policies are described in Note 1, Significant Accounting Policies, of the Notes to Tutor-Saliba's Consolidated Financial Statements attached as *Annex H* to this proxy statement, the following discussion is intended to describe those accounting policies most critical to the preparation of its consolidated financial statements.

*Method of Accounting for Contracts.* Revenues and profits from Tutor-Saliba's contracts and construction joint venture contracts are recognized by applying percentages of completion for the period to the total estimated profits for the respective contracts. Percentage-of-completion is determined by relating the actual cost of the work performed to date to the current estimated total cost of the respective contracts. When the estimate on a contract indicates a loss, the entire loss is recorded during the accounting period in which it is estimated. In the ordinary course of business, at a minimum on a quarterly basis, Tutor-Saliba prepares updated estimates of the total forecasted revenue, cost and profit or loss for each contract. The cumulative effect of revisions in estimates of the total forecasted revenue and costs, including unapproved change orders and claims, during the course of the work is reflected in the accounting period in which the facts that caused the revision become known. The financial impact of these revisions to any one contract is a function of both the amount of the revision and the percentage-of-completion of the contract. An amount equal to the costs incurred that are attributable to unapproved change orders and claims is included in the total estimated revenue when realization is probable. Profit from unapproved change orders and claims is recorded in the accounting period such amounts are resolved.

Tutor-Saliba's balance sheet account Deferred Contract Revenue represents the excess of billings to date over the amount of contract costs and profits (or contract revenue) recognized to date on the percentage-of-completion accounting method. Another balance sheet account entitled Unbilled Work represents the excess of contract costs and profits (or contract revenue) recognized to date on the percentage-of-completion accounting method over billings to date. Unbilled Work results when (1) the appropriate contract revenue amount has been recognized in accordance with the percentage-of-completion accounting method, but a portion of the revenue recorded cannot be billed currently due to the billing terms defined in the contract and/or (2) costs, recorded at estimated realizable value upon determination that they are probable of collection, related to unapproved change orders or claims are incurred. For unapproved change orders or claims that cannot be resolved in accordance with the normal change order process as defined in the contract, Tutor-Saliba may employ other dispute resolution methods, including mediation, binding and non-binding arbitration, or litigation.

*Use of Estimates.* Among the many estimates, judgments and assumptions that management makes in preparing its financial statements in conformity with GAAP, there are none more critical than those made in the accounting for Tutor-Saliba's contracts. The key to establishing profitable contracts lies in management's ability to estimate expected costs and revenues on a contract by contract basis. Once contracts are in place, Tutor-Saliba accounts for them by using the percentage-of-completion method. Due to the long-term nature of Tutor-Saliba's contracts, cost and revenue estimates are updated each reporting period. The updated estimates relate to the projecting of total forecasted construction contract revenues, costs and profits in accordance with accounting for long-term contracts, and the recognition of potential liabilities in conjunction with certain contingencies, including the outcome of pending or future litigation, arbitration or other dispute resolution proceedings relating to contract claims. Actual results could differ from these estimates, and such differences could be material.

Tutor-Saliba believes, based on its experience, that its current systems of management and accounting controls allow management to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labor, the ability of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions and the accuracy of the original bid estimate. Because Tutor-Saliba has multiple contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability. However, large changes

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in cost estimates on larger, more complex construction projects can have a material impact on Tutor-Saliba's financial statements and are reflected in its results of operations when they become known. This impact could include reversal of profits recorded in prior periods.

When recording revenue on contracts relating to unapproved change orders and claims, Tutor-Saliba includes in revenue an amount equal to the amount of costs incurred to date for contract price adjustments that Tutor-Saliba sought to collect from customers for delays, errors in specifications or designs, change orders in dispute or unapproved as to scope or price, or other unanticipated additional costs, in each case when recovery of the costs is considered probable. When determining the likelihood of eventual recovery, Tutor-Saliba considers such factors as evaluation of entitlement, settlements reached to date and Tutor-Saliba's experience with the customer. The settlement of these issues often takes years depending upon whether the item can be resolved directly with the customer or involves litigation or arbitration. When new facts become known, an adjustment to the estimated recovery is made and reflected in the current period results.

The amount of unapproved change order and claim revenue is included in Tutor-Saliba's balance sheet as part of Unbilled Work. The amount of Unbilled Work relating to unapproved change orders and claims included in Tutor-Saliba's balance sheet at March 31, 2008 and December 31, 2007 is summarized below:

**Unbilled Work at December 31, 2007 and March 31, 2008**

	December 31, 2007	March 31, 2008
	(in thousands)	
Unbilled Costs and Profits	\$ 3,545	\$ 6,849
Unapproved Change Orders	14,123	13,855
Claims	11,351	11,682
Total	\$ 29,019	\$ 32,386

Of the balance of unapproved change orders and claims included in Unbilled Work at March 31, 2008, approximately half belong to Tutor-Saliba's recently purchased, wholly owned subsidiary, Powerco Electric Corp., which was acquired in September 2007. These amounts are management's estimate of the probable recovery from the disputed claims considering the factors noted above—evaluation of entitlement, settlements reached to date and Tutor-Saliba's 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 Tutor-Saliba's estimated probable recovery from the disputed claims, the amount of such reduction against future earnings will be recorded in the relevant period.

*Purchase Price Allocation.* In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, the purchase price of acquired properties is allocated to tangible and identified intangible assets and liabilities based on their respective fair values.

Tutor-Saliba's Powerco and Desert Plumbing acquisitions were stock purchases in which the price paid exceeded the value of the net tangible balance sheet assets purchased. The total price paid consisted of Tutor-Saliba's cash outlay and the assumption of the acquired balance sheet liabilities and, in the case of Desert Plumbing, contingent payments of \$4 million for each of three years upon satisfaction of specific performance targets, or upon completion of the merger.

Tutor-Saliba works with an independent valuation firm in identifying and evaluating the intangible assets associated with its acquisitions. Any intangible asset that cannot be assigned a value within the framework of SFAS No. 141, is considered goodwill. The subsequent amortization of intangible assets, including the impairment testing of goodwill, is done in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*.

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*Accounting for Income Taxes.* Tutor-Saliba accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires the use of an asset and liability method of accounting for income taxes. Deferred income taxes are provided to reflect the tax effect of differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Tutor-Saliba elected to be treated as a subchapter S corporation effective January 1, 1996. As a result, taxable income, loss and credits flow directly to the shareholders and tax related assets and liabilities of Tutor-Saliba become the obligation of the shareholders of the subchapter S corporation and are no longer reflected in the financial statements. The deferred tax assets, liabilities and provision reflected in the financial statements are those that do not flow through to the shareholders, as they relate to taxable subsidiaries. The subchapter S corporation status will terminate on the effective date of the merger. As a result of that termination, taxable income, loss, credits and related deferred taxes will be reflected in the financial statements for periods reported after the completion of the merger.

Information relating to Tutor-Saliba's provision for income taxes and the status of its deferred tax assets and liabilities is presented in Note 6, *Income Taxes* of Notes to Tutor-Saliba's 2007 Consolidated Financial Statements attached as *Annex H* to this proxy statement.

*Accounting for Joint Ventures.* Prior to 2007, Tutor-Saliba's non-controlling interests in construction joint ventures were accounted for on an equity method in Tutor-Saliba's Consolidated Balance Sheets and Consolidated Statements of Cash Flow and on the proportionate consolidation method in the Consolidated Statements of Income. Beginning in 2007, construction joint venture interests are accounted for using the proportionate consolidation method in the Consolidated Balance Sheets as well as the Consolidated Statements of Income whereby Tutor-Saliba'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. Tutor-Saliba believes the change, which results in presenting all joint venture activity using a consistent methodology in both Consolidated Balance Sheets and Consolidated Statements of Income, is preferable.

The change had no impact on the Consolidated Statements of Income for any period presented. Although the change impacted various classifications within the Consolidated Balance Sheets and Consolidated Statements of Income, there was no impact to Shareholders' Equity. Prior years' Consolidated Balance Sheets and Consolidated Statements of Cash flows have been changed to conform to the 2007 presentation.

**Results of Operations Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007**

	Revenues For The Three Months Ended March 31,		Change	
	2007	2008	\$	%
	(in thousands)			
Domestic Building	\$ 160,346	\$ 341,470	\$ 181,124	113.0%
Domestic Civil	56,135	34,196	(21,939)	(39.1)%
International	15,579	19,297	3,718	23.9%
Total Revenues	\$ 232,060	\$ 394,963	\$ 162,903	70.2%

*Revenues.* For the three months ended March 31, 2008, total revenues were \$395 million, compared to \$232 million in the three months ended March 31, 2007, an increase of 70.2%. The revenue increase was driven by Tutor-Saliba's domestic building segment, which primarily benefited from the two major projects (Wynn Encore and Planet Hollywood Tower in Las Vegas) that were awarded in 2006 and which were in process throughout the 2007 period and performing at peak production levels during the first quarter of 2008, in addition to \$29.6 million in revenues provided by Desert Plumbing & Heating and Powerco Electric, both of which Tutor-Saliba acquired since the first quarter of 2007. Domestic building revenues were \$341 million in the 2008 period compared to \$160 million in the 2007 period. Domestic civil revenues were \$34 million in the 2008 period compared to \$56 million in the 2007 period. Domestic civil segment revenues decreased during the period.

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primarily due to the work on the Los Angeles International Airport Runway and Taxiway Improvements project, which started construction in late 2005 and was in the later stages of completion during 2008. International revenues increased to \$19.3 million (or 24%) in the first three months of 2008 from \$15.6 million in the first three months of 2007 primarily as a result of the performance of the British Embassy project in the Philippines that was awarded in 2007 and is scheduled to be completed in the first half of 2008.

*Gross Profit.* Overall gross profit increased to \$34.6 million in the three months ended March 31, 2008 from \$20.7 million in the prior year, with gross margin decreasing slightly to 8.8% for the 2008 three-month period from 8.9% in the prior year. Gross margin declined due primarily to a larger proportion of the revenues in the first three months of 2008 being from the domestic building segment, which has a lower overall gross margin as compared to the domestic civil segment. The domestic civil segment had a decline in revenues in the first three months of 2008 as compared to 2007.

*Depreciation and Amortization Expense.* Depreciation and amortization expense increased to \$2.9 million in the three months ended March 31, 2008 from \$1.1 million in the prior year period. This increase is primarily in the domestic segments and results from a full period of depreciation from assets acquired in 2007, which were necessary to support Tutor-Saliba's increased volume of work, and the amortization of \$1.2 million of intangible assets recorded in connection with the purchase accounting for the Powerco Electric and Desert Plumbing & Heating acquisitions.

*General and Administrative Expense.* Tutor-Saliba's general and administrative expenses increased to \$13.6 million (3.4% of revenue) in the three months ended March 31, 2008 from \$7.8 million (3.3% of revenue) in the three months ended March 31, 2007. Nonetheless, Tutor-Saliba's general and administrative expenses increased at a lower rate than revenue indicating that it was able to leverage its corporate overhead over a much larger revenue base. The 2008 increase included an increase in costs in legal, accounting and other professional services in the amount of \$1.8 million, primarily related to the work performed in preparation for the merger and other potential strategic transactions.

The most significant costs in Tutor-Saliba's G&A expenses are employment-related.

In addition to a \$1.1 million increase in salaries and other related benefit costs paid in 2008 driven by the increase in number of personnel necessary to support Tutor-Saliba's expanding operations and increases in salaries and bonuses necessary to reward and retain existing personnel, there was a compensation charge incurred in the amount of \$1.1 million as a result of distributions made to certain shareholder executives being recorded as compensation pursuant to the provisions of Statement of Financial Accounting Standards No. 123R, Share-Based Payments.

The revenue and expense trends discussed above resulted in the following trends in income from operations performance.

	Income From Operations For The Three Months Ended March 31,		Change \$	%
	2007	2008		
	(in thousands)			
Domestic Building	\$ 6,722	\$ 21,644	\$ 14,922	222.0%
Domestic Civil	6,308	6,560	252	4.0%
International	1,555	1,269	(286)	(18.4)%
Subtotal	\$ 14,585	\$ 29,473	\$ 14,888	102.1%
Less: Corporate	(1,633)	(8,277)	(6,644)	406.9%
Total Income From Operations	\$ 12,952	\$ 21,196	\$ 8,244	63.7%

*Other Income.* Total other income, net decreased to \$0.5 million in the three months ended March 31, 2008 from \$11.1 million in the three months ended March 31, 2007, primarily as a result of a gain on sale of marketable securities of \$11.4 million being recognized in the 2007 period.

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*Interest and Other Income.* Interest and other income increased to \$1.4 million in the first three months of 2008 from \$0.8 million in the first three months of 2007 as a result of higher cash balances made possible by the sale of marketable securities, which increased available balances for investment in the 2008 period. The increase in available investment balances more than offset lower interest yields during the period.

*Interest Expense.* Interest expense decreased to \$0.8 million in the first three months of 2008 from \$1.0 million in the first three months of 2007 as Tutor-Saliba used a portion of its excess cash to reduce debt, including paying off a \$10 million term loan prior to entering into a new credit agreement. Interest expense also benefited from lower rates in the 2008 period as compared to the same period in 2007.

*Income Taxes.* Tutor-Saliba's provision for income taxes decreased to \$0.6 million in the three months ended March 31, 2008 from \$0.8 million in the three months ended March 31, 2007 due to a decrease in taxable income in 2008, primarily in Tutor-Saliba's foreign subsidiaries. Although Tutor-Saliba Corporation is a subchapter S corporation that passes most of its taxes through to its shareholders, a decrease in subsidiary income in Guam, taxed at 35%, resulted in the majority of the tax provision decrease. Tutor-Saliba will cease to be a subchapter S corporation upon the consummation of the merger, which it expects will have the impact described in the pro forma financial statements included elsewhere in this proxy statement.

*Income from Continuing Operations.* Tutor-Saliba's improved operating performance in the three months ended March 31, 2008 partially offset the \$11.4 million net gain recognized on the sale of marketable securities in the same period in 2007, resulting in income from continuing operations of \$21.1 million for the period in 2008, as compared to \$23.3 million for the same period in 2007.

**Results of Operations Year Ended December 31, 2007 Compared to Year Ended December 31, 2006**

Unless stated otherwise, all references to 2007, 2006, and 2005 refer to our fiscal years ended, or the dates as of December 31, 2007, December 31, 2006, and December 31, 2005.

	Revenues For The		Change	
	Year Ended December 31, 2006	Year Ended December 31, 2007	\$	%
	(in thousands)			
Domestic Building	\$ 320,403	\$ 896,124	\$ 575,722	179.7%
Domestic Civil	141,875	174,277	32,402	22.8%
International	52,179	81,423	29,243	56.0%
Total Revenues	\$ 514,457	\$ 1,151,824	\$ 637,367	123.9%

*Revenues.* For the year ended December 31, 2007, total revenues were \$1.15 billion, compared to \$514.5 million in the year ended December 31, 2006, an increase of 124%. The revenue increase was driven primarily by Tutor-Saliba's domestic building segment, which had revenue of \$896.1 million in 2007, as compared to \$320.4 million in 2006. The increase was primarily due to two major Las Vegas projects, the Wynn Encore (\$581.2 million) and the Planet Hollywood Tower (\$112.9 million), that Tutor-Saliba was awarded in 2006 and which were in progress throughout 2007. In 2006, only the Wynn Encore had significant activity and produced revenue in the last six months of 2006 totaling \$120.2 million.

Domestic civil revenues were \$174.3 million in 2007 compared to \$141.9 million in 2006. The increase was primarily due to the full-period work on the Los Angeles International Airport runway project performed at full capacity, which generated \$90.6 million of revenue in 2007, as compared to \$64.7 in 2006. This project started construction in late 2005 and only produced significant revenue in the second half of 2006. This 2007 increase more than offset the impact of projects that were completed, or were in the later stages of completion, during 2006 and 2007.

International revenues increased to \$81.4 million in 2007 from \$52.2 million in 2006 primarily as a result of two projects, the Alpha Bravo Wharf Improvements project which was awarded in 2006 and which produced a

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full-period of work in 2007, and the Home Depot project which was awarded in early 2007 and produced revenues of \$22.2 million during the fiscal year.

*Gross Profit.* Total gross profit increased to \$88.2 million in 2007 from \$29 million in 2006, with gross margin improving to 7.7% for 2007 from 5.6% the prior year. Gross margin improved due primarily to the higher margins obtained on the new contracts acquired in 2006 in both the domestic and international segments, the increased revenues in the higher margin domestic civil segment and the larger proportion of domestic building segment revenues in 2007 from higher margin projects than Tutor-Saliba's 2006 project mix.

*Depreciation and Amortization Expense.* Depreciation and amortization expense increased to \$6.1 million in 2007 from \$3.7 million in 2006. This increase is primarily in the domestic segments and results from a full period of depreciation from assets acquired in 2006 and the additional depreciation from additional assets acquired in 2007, all of which were necessary to support Tutor-Saliba's increased volume of work, and the amortization of \$1.2 million of intangible assets recorded in the purchase accounting for the acquisition of Powerco Electric.

*General and Administrative Expense.* Tutor-Saliba's general and administrative expenses increased to \$36.2 million (3.1% of revenue) in 2007 from \$26.8 million (5.2% of revenue) in 2006. Tutor-Saliba's general and administrative expenses increased at a lower rate than revenue as it was able to leverage its corporate overhead over a much larger revenue base. The 2007 increase included the cost of expanding Tutor-Saliba's Las Vegas office to add support for its expanding operations in that city, increased costs incurred in accounting, legal and other professional services in preparation for a contemplated capital markets transaction and the negative impact of fuel costs during the period. The 2006 period was significantly impacted by the cost of starting up Tutor-Saliba's Las Vegas operations and opening an office there. The most significant cost in Tutor-Saliba's general and administrative expenses are employment-related. In addition to a \$1.1 million increase in bonuses paid in 2007, salaries and other related benefit costs increased by \$2.8 million. These increases were driven by the increase in number of personnel necessary to support Tutor-Saliba's expanding operations and increases in salaries and bonuses necessary to reward and retain existing personnel.

The revenue and expense trends discussed above resulted in the following trends in operating income performance:

	Income From Operations For The Year Ended December 31,		Change	
	2006	2007	\$	%
	(in thousands)			
Domestic Building	\$ 4,840	\$ 39,651	\$ 34,811	719.2%
Domestic Civil	9,061	26,135	17,074	188.4%
International	4,796	7,832	3,036	63.3%
Subtotal	\$ 18,697	\$ 73,618	\$ 54,921	293.7%
Less: Corporate	(16,043)	(21,189)	(5,146)	32.1%
Total Income From Operations	\$ 2,654	\$ 52,429	\$ 49,775	1,875.5%

*Other Income.* Total other income, net increased to \$95 million in 2007 from \$6.2 million in 2006 as a result of a gain on sale of marketable securities of \$94.1 million in 2007, generated from the sale of Tutor-Saliba's remaining 3 million shares of Perini common stock.

*Interest and Other Income.* Interest and other income increased to \$6.1 million in 2007 from \$3.4 million in 2006 as a result of higher cash balances made possible by the sale of marketable securities and the increased available balances for investment in 2007.

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*Interest Expense.* Interest expense decreased to \$4.2 million in 2007 from \$5.3 million in 2006 as a portion of excess cash was used to reduce debt, including paying off a \$10 million term loan prior to entering into a new credit agreement.

*Income Taxes.* The provision for income taxes increased to \$4.4 million in 2007 from \$1.7 million in 2006 due to the increase in taxable income in 2007. Although Tutor-Saliba is a subchapter S corporation that passes most of its taxes through to its shareholders, increases in subsidiary income in Guam, taxed as a C corporation at 35%, resulted in the tax provision increase. Tutor-Saliba will cease to be a subchapter S corporation upon completion of the merger, which it expects will have the impact described in its pro forma financial statements included elsewhere in this proxy statement.

*Income from Continuing Operations.* Overall improved operating performance and gains recognized on the sale of Perini common stock resulted in income from continuing operations of \$142.9 million for 2007, as compared to \$7.2 million in 2006.

**Results of Operations Year Ended December 31, 2006 Compared to Year Ended December 31, 2005**

	Revenues For The		Change	
	Year Ended December 31, 2005	2006	\$	%
	(in thousands)			
Domestic Building	\$ 228,905	\$ 320,403	\$ 91,498	40.0%
Domestic Civil	117,046	141,875	24,829	21.2%
International	41,639	52,179	10,540	25.3%
Total Revenues	\$ 387,590	\$ 514,457	\$ 126,867	32.7%

*Revenues.* Total revenues increased to \$514.5 million in 2006 from \$387.6 million in 2005. This increase was due mainly to an increase in domestic building construction revenues of \$91.5 million (or 40.0%) to \$320.4 million in 2006 from \$228.9 million in 2005, reflecting the increased volume of work in the hospitality and gaming market where Tutor-Saliba commenced work on two major projects (Wynn Encore and Planet Hollywood Towers) in Las Vegas in 2006 as well as the start of construction on a major building project in Los Angeles (Los Angeles Police Headquarters). Revenues earned in 2006 from the Wynn Encore project totaled \$120.2 million.

Civil construction revenues increased by \$24.8 million (or 21.2%) to \$141.9 million in 2006 from \$117 million in 2005 due primarily to \$64.7 million of revenue produced from a full year's production at the Los Angeles International Airport Runway and Taxiway Improvements project during 2006. The runway project more than offset the impact of projects that were completed, or were in the later stages of completion, during 2005 and 2006.

International revenues increased by \$10.5 million to \$52.2 million in 2006 from \$41.6 million in 2005 as the island of Guam operations rebounded from a relatively down year in 2005 when several major projects either were completed, or were in the latter stages of completion. Operations benefited from revenue totaling \$18 million from the start of the Alpha Bravo Wharf improvements project on the island of Guam as well as obtaining additional new work on the surrounding Micronesian Islands.

*Gross Profit.* Total gross profit increased to \$29 million in 2006 from \$16.3 million in 2005, with gross margin improving to 5.6% for 2006 from 4.2% in 2005 primarily due to higher margins on contracts entered into in 2006 in the domestic and international segments. Gross profit margin is a function of the mix of projects ongoing throughout each period. Typically, civil projects, which are usually performed for state and local governments and are typically obtained through competitive bidding, tend to produce higher gross profit margins than do building projects, which include both public and private customers, and are either competitively bid or are awarded under negotiated contract arrangements.

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*Depreciation and Amortization Expense.* Depreciation and amortization expense increased to \$3.7 million in 2006 from \$2.9 million in 2005. The increase reflects an expansion in Tutor-Saliba's equipment fleet necessary to support its increased workload from major contracts acquired in 2006, primarily the Wynn Encore and Planet Hollywood Towers in Las Vegas. In 2006 we purchased \$22.1 million of property and equipment, compared to \$6.7 million in 2005.

*General and Administrative Expense.* Tutor-Saliba's general and administrative expenses increased to \$26.8 million (5.2% of revenue) in 2006 from \$26.4 million (6.8% of revenue) in 2005. Tutor-Saliba's general and administrative expenses increased at a lower rate than revenue as it was able to leverage its corporate overhead over a much larger revenue base.

*Litigation Settlement Expense.* In 2005, Tutor-Saliba recorded a charge of \$14.7 million in its domestic building segment to settle contract litigation relating to its completed project at the San Francisco International Airport. Tutor-Saliba had no litigation settlement related costs for this matter in 2006.

The revenue and expense trends discussed above resulted in the following trends in operating income performance.

	Income (Loss) From Operations For The Year Ended December 31,		Change	
	2005	2006	\$	%
	(in thousands)			
Domestic Building	\$ (14,838)	\$ 4,840	\$ 19,678	n.a.
Domestic Civil	5,894	9,061	3,167	53.7%
International	1,476	4,796	3,320	224.9%
Subtotal	\$ (7,468)	\$ 18,697	\$ 26,165	n.a.
Less: Corporate	(9,756)	(16,043)	(6,287)	64.4%
Total Income (Loss) From Operations	\$ (17,224)	\$ 2,654	\$ 19,878	n.a.

*Other Income.* Total other income, net decreased to \$6.2 million in 2006 primarily due to the gain on sale of marketable securities of \$8.9 million in 2006 being far less than the combined gains of \$38.3 million on sale of marketable securities and derivatives relating to such marketable securities in 2005.

*Interest and Other Income.* Interest and other income increased to \$3.4 million in 2006 from \$2.7 million in 2005 as a result of increased amounts in retention escrow accounts and higher yields on funds invested.

*Interest Expense.* Interest expense increased to \$5.3 million in 2006 from \$3.4 million in 2005 as Tutor-Saliba increased borrowings, particularly in the second half of 2006 to support its increased working capital requirements associated with starting new large projects as discussed above, and the effect of higher interest rates during the period.

*Income Taxes.* Our provision for income taxes increased to \$1.7 million in 2006 from \$0.8 million in 2005. Although Tutor-Saliba Corporation is a subchapter S corporation that passes most of its taxes through to its shareholders, increases in subsidiary income in Guam, taxed as a C corporation at 35%, resulted in the tax provision increase.

*Income from Continuing Operations.* Income from continuing operations decreased to \$7.2 million in the year ended December 31, 2006 from \$19 million in the year ended December 31, 2005, as the decline in the other income more than offset the impact of Tutor-Saliba's improved operating performance.



**Table of Contents****Liquidity and Capital Resources****Cash and Working Capital**

Cash and cash equivalents as reported in Tutor-Saliba's Consolidated Statements of Cash Flows consist of amounts held by Tutor-Saliba as well as its proportionate share of amounts held by construction joint ventures. Cash held by Tutor-Saliba is available for general corporate purposes while cash held by construction joint ventures is available only for joint venture-related uses. Cash held by construction joint ventures is distributed from time to time to Tutor-Saliba and to the other joint venture participants in accordance with their respective percentage interests after the joint venture partners determine that a cash distribution is prudent. Cash distributions received by Tutor-Saliba from construction joint ventures are then available for Tutor-Saliba's general corporate purposes. At March 31, 2008 and 2007, cash held by Tutor-Saliba and available for general corporate purposes was \$110.3 million and \$51.6 million, respectively, and Tutor-Saliba's proportionate share of cash held by joint ventures and available only for joint venture-related uses was \$11.5 million and \$23 million, respectively. In the first quarter of 2008, Tutor-Saliba used \$35 million in cash to acquire Desert Plumbing & Heating and \$27.9 million to pay a distribution to its shareholders in respect of 2007 income attributable to them as owners of a subchapter S corporation, offset in part by continuing strong cash flow from operations. Tutor-Saliba expects to use a substantial portion of its available cash balance to fund a final subchapter S distribution to Tutor-Saliba's shareholders prior to consummation of the merger.

Billing procedures in the construction industry generally are based on the specific billing terms of each contract. For example, billings may be based on various measures of performance, such as cubic yards excavated, architect's estimates of completion, costs incurred on cost-plus type contracts or weighted progress from a cost loaded construction time schedule. Billings are generally on a monthly basis and are reviewed and approved by the customer prior to submission. Therefore, once a bill is submitted, Tutor-Saliba is generally able to collect amounts owed to it in accordance with the payment terms of the contract. In addition, receivables of a contractor usually include retentions, or amounts that are held back until contracts are completed or until specified contract conditions or guarantees are met. Retentions are governed by contract provisions and are typically a fixed percentage (for example, 5% or 10%) of each billing. Tutor-Saliba generally follows the policy of paying its vendors and subcontractors on a particular project after it receives payment from its customer.

Tutor-Saliba's primary uses of cash have been for increases in working capital to fund new projects and investments in joint ventures, purchases of equipment and distributions to shareholders. When Tutor-Saliba commences a new project, it generally uses cash for approximately two months as it obtains materials and incurs payroll and other costs pending its first billing to and payment from the customer. In September 2007 and January 2008, Tutor-Saliba used cash resources to acquire two subcontractors (Powerco Electric Corp. and Desert Plumbing & Heating), in the amount of \$3.3 million and \$35 million, respectively. Tutor-Saliba's primary sources of cash have been from operations, particularly in periods where it is able to reduce working capital as existing projects move beyond their startup phase, borrowings, and the sale of marketable securities. A summary of cash flows for each of the three months ended March 31, 2008 and 2007 is set forth below:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2008</b>
	<b>Unaudited</b>	
	<b>(in millions)</b>	
Cash flows from:		
Operating activities	\$ (0.4)	\$ 2.2
Investing activities	19.9	(51.3)
Financing activities	(5.5)	(33.4)
<b>Net increase (decrease) in cash</b>	<b>\$ 14.0</b>	<b>\$ (82.5)</b>
Cash at beginning of period	37.6	192.8
<b>Cash at end of period</b>	<b>\$ 51.6</b>	<b>\$ 110.3</b>

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In the first three months of 2008, Tutor-Saliba generated \$2.2 million in cash flow in operating activities and used \$51.3 million in cash flow from investing activities and \$33.4 million in financing activities for a net decrease in its cash balance of \$82.5 million. Tutor-Saliba's positive cash flow from operating activities primarily reflects net income less the increase in receivables of \$39.7 million and the increase in other assets of \$2 million, partially offset by depreciation and amortization expense of \$2.9 million, a \$21.2 million increase in payables resulting from costs incurred on its construction projects, and \$1.7 million of unbilled work on other projects. Cash flow from investing activities primarily reflects a \$12.8 million of cash used for purchases of property and equipment, \$15.3 million of advances to related parties, and \$31.8 million for acquisitions, partially offset by proceeds from the sale of property and equipment of \$0.7 million and \$8.0 million of cash becoming unrestricted during the period. Cash used in financing activities includes a \$2.7 million net reduction in debt and \$30.7 million in shareholder distributions.

In the first three months of 2007, Tutor-Saliba generated \$19.9 million from investing activities while using \$0.4 million for operating activities and funding \$5.5 million in financing activities for a net increase in its cash balance of \$14.0 million. Tutor-Saliba's use of cash in operating activities primarily reflects increases in accounts receivable and unbilled work of \$42.6 million and \$8 million, respectively, a deduction from net income for a gain on sale of marketable securities of \$11.4 million, and an increase in other assets of \$2.4 million, offset by an increase in accounts payable and other liabilities of \$38.3 million, and an increase in deferred contract revenue of \$1.6 million. Cash provided from investing activities was primarily from proceeds from sales of marketable securities of \$23.8 million, partially offset by net purchases of property and equipment of \$3.9 million. Cash flow from financing activities primarily reflects net proceeds from long-term debt of \$2.4 million, offset by principal payments of long-term debt of \$6.1 million and distributions to shareholders of \$1.8 million.

A summary of cash flows for each of the years ended December 31, 2007, 2006 and 2005 is set forth below:

	Year Ended December 31,		
	2005	2006	2007
	(in millions)		
Cash flows from:			
Operating activities	\$ 6.3	\$ (28.8)	\$ 115.2
Investing activities	35.2	0.6	104.4
Financing activities	(28.0)	10.0	(64.4)
Net increase (decrease) in cash	13.5	(18.2)	155.2
Cash at beginning of year	42.3	55.8	37.6
Cash at end of year	\$ 55.8	\$ 37.6	\$ 192.8

During 2007, Tutor-Saliba generated \$115.2 million from operating activities and \$104.4 million from investing activities while using \$64.4 million from financing activities, for an increase in its cash balance of \$155.2 million. Cash provided by operating activities resulted primarily from net income being offset by the non-operating gain on sale of securities of \$94.1 million and a \$59 million increase in receivables due to new projects started during the year, offset in part by depreciation and amortization of \$6.6 million, an increase in accounts payable of \$111.2 million and a \$4.1 million increase in deferred contract revenue. Cash provided by investing activities reflects proceeds from sales of marketable securities of \$147.7 million and proceeds from the sale of property and equipment of \$4.6 million, partially offset by purchases of property and equipment of \$23.8 million and \$24 million of cash being designated as restricted. The use of cash for financing activities primarily reflects principal payments of long-term debt of \$21.1 million, paydown on credit line of \$10 million, and distributions to shareholders totaling \$51.8 million, partially offset by proceeds from long-term debt of \$18.5 million.

During 2006, Tutor-Saliba generated \$10 million in cash flow from financing activities and \$0.6 million from investing activities, while using \$28.8 million for operating activities for a net decrease in its cash balance

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of \$18.2 million. Cash flow from financing activities primarily reflects a \$30 million increase in net borrowings offset in part by \$20 million in shareholder distributions. Cash used in operating activities resulted primarily from net income being offset by the non-operating gain on sale of securities of \$8.9 million and a \$59.1 million increase in receivables due to new projects started during the year, offset in part by depreciation and amortization of \$5.4 million, an increase in accounts payable of \$9.4 million, and a \$16 million increase in deferred contract revenue, and a \$2.2 million decrease in unbilled work. The cash flow from investing activities reflects net purchases of property and equipment of \$19.3 million and advances to related parties of \$1.3 million, offset by proceeds from the sale of marketable securities of \$21.2 million.

During 2005, Tutor-Saliba generated \$35.2 million from investing activities and \$6.3 million from operating activities and consumed \$28 million in financing activities for a net increase its cash balance of \$13.5 million. Cash flow from operating activities resulted primarily from net income being offset by the non-operating gains on the sale of securities, property and equipment, and derivatives of \$21.4 million, \$8.3 million, and \$16.9 million, respectively, and an increase in other assets of \$4.8 million partially offset by a decrease in receivables of \$21.1 million, a decrease in unbilled work of \$1.8 million, an increase in accounts payable and other liabilities of \$4.8 million, an increase in deferred contract revenue of \$5.2 million, and non-cash depreciation and amortization expense of \$4.4 million. Cash flow from investing activities primarily reflects proceeds from sale of marketable securities in the amount of \$29.3 million, and the net proceeds from the sale of equipment in the amount of \$6.4 million. The cash flow used in financing activities comes from the net reduction of long-term debt of \$13.2 million and shareholder distributions of \$14.8 million.

**Revolving Credit Agreement**

On September 17, 2007, Tutor-Saliba entered into a Revolving Credit Agreement with Comerica Bank, as administrative agent, and two participant lenders (referred to in this proxy statement as the Credit Agreement ). Subsequently, on May 12, 2008, Tutor-Saliba executed the First Amendment to Revolving Credit Agreement.

The Credit Agreement as amended provides for a secured revolving credit facility (the Revolving Facility ) of up to \$50 million with an \$8 million sublimit for commercial and standby letters of credit and a term loan in the amount of \$25 million. This represents an increased borrowing capacity from Tutor-Saliba's prior agreement, which provided for a revolving credit facility of \$25 million, plus a term loan in the original amount of \$10 million, all of which was outstanding at December 31, 2006. The \$10 million term loan was paid in full on June 4, 2007.

Tutor-Saliba's interest rate alternatives include a prime-based rate, as well as Eurocurrency rate-based options. The Credit Agreement also supports letters of credit of up to \$8 million, which reduces availability under the Revolving Facility on a dollar-for-dollar basis. The termination date of the Revolving Facility is August 31, 2009, and the \$25 million term loan maturity date is May 1, 2011, with mandatory principal payments of \$5 million on May 1, 2009 and \$10 million on May 1, 2010 and 2011 .

The Credit Agreement as amended requires Tutor-Saliba to comply with certain financial and other covenants at the end of each fiscal quarter, including:

tangible net worth of at least \$130 million as of March 31, 2008, increased to \$150 million as of the first fiscal quarter ending September 30, 2008, and again increased to \$185 million as of the fiscal quarter ending December 31, 2008 through maturity;

a minimum current ratio of at least 1.20:1.00;

minimum core operating profitability of at least \$25 million for the two quarter period ending June 30, 2008; \$100 million for the fiscal year ending December 31, 2008 and \$150 million for the fiscal year-to-date period ending December 31, 2009 and thereafter; and

maintain, at all times, a minimum liquidity (cash and/or marketable securities) of \$40 million.

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The Credit Agreement also includes operational covenants customary for facilities of this type, including limitations on incurring additional indebtedness and liens, as well as restrictions on types of investments and the purchase and sale of assets outside of the normal course of business. Tutor-Saliba's obligations under the Credit Agreement are guaranteed by Mr. Tutor, and Tutor-Saliba's subsidiary, Black Construction, and are secured by substantially all of Tutor-Saliba's assets. Tutor-Saliba expects to substantially amend or replace its credit facility prior to completion of the merger. Pursuant to the terms of the Merger Agreement, Perini has agreed to use its commercially reasonable efforts to remove or release Mr. Tutor and his affiliates as obligors, guarantors or sureties of any obligations of Tutor-Saliba or its subsidiaries under certain contracts, including the Credit Agreement, and any similar obligation incurred from and after the date of the Merger Agreement.

**Off-Balance Sheet Arrangements**

Tutor-Saliba does 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, Tutor-Saliba is not exposed to any financing, liquidity, market or credit risk that could arise if Tutor-Saliba had such relationships.

**Long-Term Debt**

Total debt at March 31, 2008, including current maturities, was \$38.7 million, a decrease of \$35.1 million from March 31, 2007, due primarily to distribution of the debt associated with a commercial office building that was distributed to an affiliate of Mr. Tutor in the amount of \$24.4 million, and pay off of the term loan and the outstanding line of credit under Tutor-Saliba's prior credit agreement of \$6 million and \$10 million, respectively. These pay offs were offset by the financing of additional purchases of more equipment to meet the demands of increased project work.

**Contractual Obligations**

Tutor-Saliba's outstanding contractual obligations as of March 31, 2008 are summarized in the following table:

	Total	Less Than 1 Year	1 - 3 years	3 - 5 years	>5 Years
	(in thousands)				
Long-term debt (1)	\$ 46,981	\$ 14,629	\$ 22,814	\$ 9,538	\$
Capital leases	1,547	615	853	79	
Operating leases (2)	43,985	5,754	10,838	10,833	16,560
Other long-term liabilities (3)	7,008	2,628	4,380		
<b>Total contractual obligations</b>	<b>\$ 99,521</b>	<b>\$ 23,626</b>	<b>\$ 38,885</b>	<b>\$ 20,450</b>	<b>\$ 16,560</b>

- (1) Includes estimated interest payments, which are based on our projected interest rates and estimated principal amounts outstanding for the period presented.
- (2) Operating leases primarily consist of a corporate aircraft and our corporate office space in Sylmar, California
- (3) Consists of payments related to legal settlement with the City and County of San Francisco (see footnote 13)

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**Table of Contents****Recent Accounting Pronouncements**

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109* ( FIN 48 ). FIN 48 increases the relevancy and comparability of financial reporting by clarifying the way companies account for uncertainty in measuring income taxes. FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 only allows a favorable tax position to be included in the calculation of tax liabilities and expenses if a company concludes that it is more likely than not that its adopted tax position will prevail if challenged by tax authorities. FIN 48 also provides guidance on the accounting for and recording of interest and penalties on uncertain tax positions. Tutor-Saliba adopted FIN 48 on January 1, 2007, and the adoption of FIN 48 did not have a material impact on Tutor-Saliba's financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ( SFAS No. 157 ), which clarifies the definition of fair value, describes methods used to appropriately measure fair value, and expands fair value disclosure requirements. SFAS No. 157 applies under other accounting pronouncements that currently require or permit fair value measurements. SFAS No. 157 is effective as of the beginning of the first fiscal year after November 15, 2007. In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-1 and FSP No. FAS 157-2, affecting implementation of FASB Statement No. 157. FSP No. FAS 157-1 excludes FASB Statement No. 13, *Accounting for Leases*, and other accounting pronouncements that address fair value measurements under FASB Statement No. 13, from the scope of FASB Statement No. 157. FSP No. FAS 157-2 delays the effective date of FASB Statement No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis, to fiscal years beginning after November 15, 2008. The adoption of FASB Statement No. 157 did not have a material impact on Tutor-Saliba's financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS No. 159 ). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of the first fiscal year after November 15, 2007. The adoption of SFAS No. 159 did not have a material impact on Tutor-Saliba's financial condition and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ( SFAS No. 141(R) ). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. Tutor-Saliba will apply the provisions of SFAS No. 141(R) prospectively as of that date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of Accounting Research Bulletin No. 51* ( SFAS No. 160 ). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. Tutor-Saliba is currently evaluating the potential impact, if any, of the adoption of SFAS No. 160 on Tutor-Saliba's financial condition and results of operations.

**Table of Contents****Selected Financial Information**

The selected financial data set forth below is derived in part from and should be read in conjunction with Tutor-Saliba's consolidated financial statements, the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this proxy statement. The consolidated statement of income data for each of the years ended December 31, 2005, 2006 and 2007 and the consolidated balance sheet data as of December 31, 2006 and 2007 were derived from Tutor-Saliba's audited consolidated financial statements appearing elsewhere in this proxy statement. The consolidated statement of income data for the three-month periods ended March 31, 2007 and 2008 and the consolidated balance sheet data as of March 31, 2007 and 2008 were derived from Tutor-Saliba's unaudited consolidated financial statements appearing elsewhere in this proxy statement. This information is unaudited but, in management's opinion, has been prepared on the same basis as the audited consolidated financial statements and related notes included elsewhere in this proxy statement and includes all adjustments, consisting only of normal recurring adjustments, that Tutor-Saliba's management considers necessary for a fair presentation of the information for the periods presented. Historical results are not necessarily indicative of results to be expected for future periods.

	Three Months Ended March 31,		Year Ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
(in thousands, except share data)							
<b>Consolidated statement of income data:</b>							
Revenues:							
Domestic civil	\$ 34,196	\$ 56,135	\$ 174,277	\$ 141,875	\$ 117,046	\$ 194,082	\$ 208,543
Domestic building	341,470	160,346	896,124	320,403	228,905	250,836	204,275
International	19,297	15,579	81,423	52,179	41,639	71,118	66,126
Total	394,963	232,060	1,151,824	514,457	387,590	516,036	478,944
Cost of revenues	360,359	211,404	1,063,603	485,434	371,334	495,103	448,338
Gross profit	34,604	20,656	88,221	29,023	16,256	20,933	30,606
Gain on sale of property and equipment	(149)	(50)	(446)	(454)	(7,524)		
Cost of contract litigation settlement					14,652(4)		
General and administrative expenses	13,557	7,754	36,237	26,823	26,352	22,739	21,702
Income (loss) from operations	21,196	12,952	52,430	2,654	(17,224)	(1,806)	8,904
Other income, net (1)	1,263	12,142	99,206	11,479	40,504	17,114	11,593
Interest expense	(779)	(1,005)	(4,197)	(5,257)	(3,414)	(3,750)	(4,519)
Income before minority interest and income taxes	21,680	24,089	147,439	8,876	19,866	11,558	15,978
Provision for income taxes (3)	(619)	(797)	(4,399)	(1,663)	(849)	(309)	(2,166)
Income before minority interest	21,061	23,292	143,040	7,213	19,017	11,249	13,812
Minority interest		(20)	(111)	(40)	(16)	(204)	(29)
Income from continuing operations	21,061	23,272	142,929	7,173	19,001	11,045	13,783
Income (loss) from discontinued operations, net of taxes (2)		(39)	226	(36)	1,407	11,803	(79)
Net income	\$ 21,061	\$ 23,233	\$ 143,155	\$ 7,137	\$ 20,408	\$ 22,848	\$ 13,704
Income per share from continuing operations	\$ 23.40	\$ 25.85	\$ 158.80	\$ 7.97	\$ 21.11	\$ 12.27	\$ 15.31
Income (loss) per share from discontinued operations, net of taxes		(0.04)	0.25	(0.04)	1.56	13.11	(0.09)
Net income per share	\$ 23.40	\$ 25.81	\$ 159.05	\$ 7.93	\$ 22.67	\$ 25.38	\$ 15.22

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Book value per share	\$ 205.01	\$ 208.99	\$ 235.13	\$ 179.67	\$ 183.26	\$ 177.71	\$ 146.37
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- (1) Primarily reflects unrealized holding gains and gains on sales of marketable securities.
- (2) Reflects the results of operations associated with equipment and real estate operations unrelated to construction activities, including a gain on sale of equipment of \$11.8 million in 2004.
- (3) Since January 1, 1996, Tutor-Saliba has been a subchapter S Corporation and has been exempt from paying federal income taxes. In addition, from and after the day Tutor-Saliba elected or was otherwise treated as a subchapter S corporation for state tax purposes, Tutor-Saliba has paid certain state taxes at a reduced rate.
- (4) Represents charge recorded related to settlement of contract litigation on the San Francisco International Airport project.

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	March 31,			December 31,			
	2008	2007	2007	2006	2005	2004	2003
	(in thousands)						
<b>Consolidated balance sheet data:</b>							
Working capital	\$ 96,311	\$ 151,352	\$ 147,541	\$ 126,885	\$ 133,659	\$ 137,381	\$ 47,305
Current ratio	1.26x	1.61x	1.45x	1.60x	1.80x	1.94x	1.26x
Long term debt, less current maturities	26,905	60,038	53,617	60,221	38,456	50,398	61,582
Shareholders' equity	184,515	188,096	211,630	161,713	164,939	159,948	131,740
Ratio of long-term debt to equity	.15x	.32x	.25x	.37x	.23x	.32x	.47x
Total assets	603,980	503,741	601,493	441,757	382,748	364,956	379,476



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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The unaudited pro forma condensed combined balance sheet as of March 31, 2008 and the unaudited pro forma condensed combined statements of income for the year ended December 31, 2007 and the three months ended March 31, 2008 are based on the separate historical consolidated financial statements of Perini and Tutor-Saliba. These unaudited pro forma condensed combined financial statements reflect the merger and related events using the purchase method of accounting and apply the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined balance sheet as of March 31, 2008 reflects the merger and related events as if they had been consummated on March 31, 2008. The unaudited pro forma condensed combined statements of income for the year ended December 31, 2007 and the three months ended March 31, 2008 reflect the merger and related events as if they had been consummated on January 1, 2007, the beginning of Perini's 2007 fiscal year.

The pro forma adjustments are based upon available information and assumptions that the managements of Perini and Tutor-Saliba believe reasonably reflect the merger. We present the unaudited pro forma condensed combined financial statements for informational purposes only. The pro forma condensed combined financial statements are not necessarily indicative of what our financial position or results of operations actually would have been had we completed the merger as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company. You should read this information together with the following:

the accompanying notes to the unaudited pro forma condensed combined financial statements;

the separate historical unaudited financial statements of Perini as of and for the three months ended March 31, 2008 included in Perini's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008, which are incorporated by reference into this proxy statement;

the separate historical audited financial statements of Perini as of and for the fiscal year ended December 31, 2007 included in Perini's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which are incorporated by reference into this proxy statement;

the separate historical unaudited financial statements of Tutor-Saliba as of and for the three months ended March 31, 2008, which are included in the annexes to this proxy statement; and

the separate historical audited financial statements of Tutor-Saliba as of and for the fiscal year ended December 31, 2007, which are included in the annexes to this proxy statement.

We prepared the unaudited pro forma condensed combined financial statements using the purchase method of accounting, with Perini as the acquirer. Accordingly, the total estimated purchase price, calculated as described in Note 1 to the unaudited pro forma condensed combined financial statements, is allocated to the net tangible and identifiable intangible assets of Tutor-Saliba acquired in connection with the merger, based on their respective fair values. Should there be an increase in the fair value of the Tutor-Saliba tangible and/or intangible assets as of the closing date of the merger, the amount of the purchase price allocated to these assets will increase accordingly, resulting in a decrease in the amount of goodwill recorded and an increase in depreciation expense and/or amortization expense. A 10% increase in the fair value of the depreciable tangible assets could increase depreciation expense by approximately \$0.1 million per year. A 10% increase in the fair value of amortizable intangible assets could increase amortization expense by \$1.1 million per year.

The allocation is dependent upon valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the purchase price allocation pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial statements. The final purchase price allocation, which will be determined subsequent to the closing of the merger, and its effect on results of operations may differ significantly from the pro forma amounts included in the unaudited pro forma condensed combined financial statements. These amounts represent the managements' best estimate as of the date of this proxy statement. In order to provide a definitive accounting of the purchase price allocation as of the date of the closing of the merger, Perini will retain



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valuation specialists to help establish the fair value of the net tangible and intangible assets of Tutor-Saliba as of the closing date. These valuations will primarily include valuations of the fair value of fixed assets, intangible assets such as trade name, existing customer relationships, favorable lease terms on existing leases and existing construction contract backlog. In addition, Perini will review and adjust the effective tax rate as required, and adjust estimated transaction costs to actual. Statement of Financial Accounting Standards No. 141 Business Combinations allows the acquiring company one year to complete the final analysis and accounting for the purchase price allocation related to a business combination.

In connection with the plan to integrate the operations of Perini and Tutor-Saliba, we anticipate that non-recurring charges, such as costs associated with systems implementation, relocation expenses, severance and other costs associated with exit or disposal activities, will be incurred. We are not able to determine the timing, nature and amount of these charges as of the date of this proxy statement/prospectus. However, these charges could affect the combined results of operations of Perini and Tutor-Saliba, as well as those of the combined company following the merger, in the period in which they are recorded. The unaudited pro forma condensed combined financial statements do not include the effects of the costs associated with any restructuring or integration activities resulting from the transaction, as they are non-recurring in nature and not factually supportable at the time that the unaudited pro forma condensed combined financial statements were prepared. In addition, the unaudited pro forma condensed combined financial statements do not include the realization of any cost savings from operating efficiencies or synergies resulting from the transaction, nor do they include any potential incremental revenues and earnings that may be achieved with the combined capabilities of the companies.

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET****MARCH 31, 2008**

	<b>Perini Corporation (historical)</b>	<b>Tutor-Saliba (historical)</b>	<b>Pro Forma Adjustments (In thousands)</b>	<b>Note 2</b>	<b>Pro Forma Combined</b>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 349,749	\$ 110,328	\$ (64,290)	(g)	\$ 395,496
			(291)	(h)	
Restricted cash		16,000			16,000
Short-term investments	110,337				110,337
Accounts receivable, including retainage	1,013,399	286,906	(8,002)	(i)	1,291,903
			(400)	(g)	
Costs and estimated earnings in excess of billings	93,577	32,386			125,963
Advances to related parties		15,310	(15,310)	(g)	
Deferred income taxes	5,964	193			6,157
Other current assets	3,764	11,290	3,300	(a)	18,354
Total current assets	1,576,790	472,413	(84,993)		1,964,210
Property and equipment, net	98,698	85,198	16,133	(a)	197,412
			(2,617)	(h)	
Goodwill	27,268	21,181	746,397	(b)	773,665
			(21,181)	(b)	
Purchased intangible assets, net	3,916	10,689	234,900	(c)	238,816
			(10,689)	(c)	
Mineral right assets		12,850			12,850
Other assets	23,507	1,649	(294)	(f)	24,862
	\$ 1,730,179	\$ 603,980	\$ 877,656		\$ 3,211,815

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET (continued)****MARCH 31, 2008**

	<b>Perini Corporation (historical)</b>	<b>Tutor-Saliba (historical)</b>	<b>Pro Forma Adjustments (In thousands)</b>	<b>Note 2</b>	<b>Pro Forma Combined</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>					
Current maturities of long-term debt	\$ 5,683	\$ 11,822			\$ 17,505
Accounts payable, including retainage	959,168	278,850	(8,002)	(i)	1,230,016
Billings in excess of costs and estimated earnings	186,470	57,613			244,083
Accrued expenses	128,447	27,817	30,212	(f)	186,476
<b>Total current liabilities</b>	<b>1,279,768</b>	<b>376,102</b>	<b>22,210</b>		<b>1,678,080</b>
Long-term debt, less current maturities included above	13,635	26,905	(291)	(h)	40,249
Deferred income taxes	471	1,311	87,395	(d)	107,770
			18,593	(d)	
Royalty liabilities		11,361			11,361
Other long-term liabilities	39,951	3,786	55,000	(g)	98,737
Stockholders' equity:					
Common stock	27,147	6,757	22,987	(e)	50,134
			(6,757)	(e)	
Additional paid-in capital	163,371	11,076	856,277	(e)	1,019,648
			(11,076)	(e)	
Retained earnings	223,353	166,581	(135,000)	(g)	223,353
			(11,065)	(e)	
			(2,617)	(h)	
			(18,593)	(d)	
			694	(f)	
Accumulated other comprehensive income (loss)	(17,517)	101	(101)	(e)	(17,517)
<b>Total stockholders' equity</b>	<b>396,354</b>	<b>184,515</b>	<b>694,749</b>		<b>1,275,618</b>
	\$ 1,730,179	\$ 603,980	\$ 877,656		\$ 3,211,815

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME****FOR THE THREE MONTHS ENDED MARCH 31, 2008**

	Perini (historical)	Tutor-Saliba (historical)	Pro Forma Adjustments (in thousands, except per share data)	Note 2	Pro Forma Combined
Revenues	\$ 1,256,336	\$ 394,963	\$ (11,113)	(o)	\$ 1,640,186
Cost of operations	1,189,774	360,210	2,793	(k)	1,540,677
			253	(l)	
			(11,113)	(o)	
			(1,240)	(j)	
Gross profit	66,562	34,753	(1,806)		99,509
General and administrative expenses	27,599	13,557	256	(r)	40,718
			(694)	(q)	
Income from construction operations	38,963	21,196	(1,368)		58,791
Other income (expense), net	1,505	1,263			2,768
Interest expense	(355)	(779)	(688)	(p)	(1,822)
Income before income taxes	40,113	21,680	(2,056)		59,737
Provision for income taxes	(14,960)	(619)	(7,533)	(s)	(22,339)
			773	(t)	
Net income	\$ 25,153	\$ 21,061	\$ (8,816)		\$ 37,398
Basic earnings per common share	\$ 0.93				\$ 0.75
Diluted earnings per common share	\$ 0.91				\$ 0.74
Weighted average common shares outstanding:					
Basic	27,145		22,987	(u)	50,132
Diluted	27,653		22,987		50,640

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME****FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Perini (historical)</b>	<b>Tutor-Saliba (historical) (in thousands, except per share data)</b>	<b>Pro Forma Adjustments</b>	<b>Note 2</b>	<b>Pro Forma Combined</b>
Revenues	\$ 4,628,358	\$ 1,151,824	\$ 127,499	(n)	\$ 5,875,295
Cost of operations	4,379,464	1,063,157	(32,386)	(o)	5,510,638
			761	(l)	
			(883)	(m)	
			90,586	(n)	
			(32,386)	(o)	
			(1,231)	(j)	
Gross profit	248,894	88,667	27,096		364,657
General and administrative expenses	107,913	36,237	1,069	(r)	159,495
			14,276	(n)	
Income from construction operations	140,981	52,430	11,751		205,162
Other income (expense), net	15,361	99,206	63	(n)	114,630(1)
Interest expense	(1,947)	(4,197)	(2,750)	(p)	(8,962)
			(68)	(n)	
Income before minority interest and income taxes	154,395	147,439	8,996		310,830
Provision for income taxes	(57,281)	(4,399)	(51,038)	(s)	(116,100)
			(3,382)	(t)	
Income before minority interest	97,114	143,040	(45,424)		194,730
Minority interest		(111)			(111)
Income from continuing operations	97,114	142,929	(45,424)		194,619
Income from discontinued operations, net of tax		226	(226)	(m)	
Net income	\$ 97,114	\$ 143,155	\$ (45,650)		\$ 194,619
Basic earnings per common share	\$ 3.62				\$ 3.91
Diluted earnings per common share	\$ 3.54				\$ 3.86(2)
Weighted average common shares outstanding:					
Basic	26,819		22,987	(u)	49,806
Diluted	27,419		22,987		50,406

(1) Includes \$94,105 non-recurring gain on sale of marketable securities.

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- (2) Pro forma diluted earnings per share excluding the non-recurring gain on sale of marketable securities (see Note (1) above) is \$2.70.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED****COMBINED FINANCIAL STATEMENTS****1. Basis of Pro Forma Presentation**

On April 2, 2008, Perini and Tutor-Saliba entered into the Merger Agreement, pursuant to which Tutor-Saliba will merge into a wholly owned subsidiary of Perini, with Perini continuing as the surviving corporation. The transaction is to be accounted for using the purchase method of accounting. For purposes of these unaudited pro forma condensed combined financial statements, Perini has assumed the total preliminary purchase consideration in the merger to be approximately \$898 million, consisting of shares of Perini common stock valued at \$879 million, and approximately \$19 million in transaction costs, to be paid by Perini.

Under the terms of the Merger Agreement, Perini will issue 22,987,293 shares of Perini common stock to the Tutor-Saliba shareholders in exchange for their shares of Tutor-Saliba common stock.

The unaudited pro forma condensed combined balance sheet contains a preliminary estimate of the purchase price allocation, assuming a per share value of Perini common stock of \$38.25, the closing market price of Perini common stock on April 2, 2008.

The preliminary unaudited pro forma condensed combined financial statements have been prepared assuming that the merger is accounted for using the purchase method of accounting, which is referred to as purchase accounting, with Perini as the acquiring entity. Accordingly, under purchase accounting, the assets, liabilities and commitments of Tutor-Saliba are adjusted to their fair values. The preliminary unaudited pro forma condensed combined financial statements do not reflect the impact of possible revenue enhancements, cost and expense efficiencies, synergies or asset dispositions. The preliminary unaudited pro forma condensed combined financial statements do not reflect possible adjustments related to restructuring charges that have yet to be determined or charges or credits that are not expected to have a continuing impact after twelve months succeeding the merger.

The preliminary unaudited pro forma adjustments represent each management's estimates based on information available as of the time this proxy statement was prepared and are subject to revision as additional information becomes available and as additional analyses are performed.

The final allocation of the purchase price will be determined after the merger is consummated and after completion of a thorough analysis to determine the fair values of Tutor-Saliba's tangible and identifiable intangible assets and liabilities. Accordingly, the final purchase accounting adjustments could be materially different from the preliminary unaudited pro forma adjustments presented herein. Any increase or decrease in the fair values of Tutor-Saliba's assets, liabilities, and other items, as compared to the information shown herein, will change the portion of the purchase price allocable to goodwill and will impact the combined income statement due to adjustments in amortization or accretion related to the adjusted assets or liabilities.

Based on Perini's shares of common stock and equity awards outstanding as of April 2, 2008, and assuming that all of the equity awards outstanding as of April 2, 2008 remain outstanding as of the effective time of the merger, the total preliminary estimated purchase price is as follows:

**Stock consideration**

Shares of Perini common stock to be issued for Tutor-Saliba common stock outstanding based on the closing market price of Perini common stock on April 2, 2008 of \$38.25	22,987	\$ 879,264
Total gross consideration		\$ 879,264
Estimated transaction costs, to be paid by Perini		19,200
Total preliminary estimated purchase price		\$ 898,464



**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED****COMBINED FINANCIAL STATEMENTS (Continued)**

Under the purchase method of accounting, the total preliminary estimated purchase price as shown in the table above is allocated to Tutor-Saliba's tangible and intangible assets and liabilities based on their estimated fair values as of the date of completion of the merger. The total preliminary estimated purchase price is allocated herein as follows:

	<b>Amounts (In thousands)</b>
Net tangible assets as of March 31, 2008 at estimated fair value	\$ 4,562
Identifiable intangible assets:	
Trade name	\$ 137,000
Customer relationships	51,200
Favorable leases	23,000
Contract backlog acquired	11,500
Other	12,200
Total amount allocated to identifiable intangible assets	234,900
Deferred tax liabilities	(87,395)
Amount allocated to goodwill	746,397
Total preliminary estimated purchase price	\$ 898,464

A preliminary estimate of \$4.6 million has been allocated to net tangible assets acquired, \$85.7 million has been allocated to amortizable intangible assets acquired, and \$149.2 million has been allocated to non-amortizable intangible assets. The depreciation and amortization related to the fair value adjustment to net tangible assets and the amortization related to the amortizable intangible assets are reflected as pro forma adjustments to the unaudited pro forma condensed combined statements of income.

*Identifiable intangible assets.* Of the total estimated purchase price, \$234.9 million has been allocated to trade name, customer relationships, favorable leases, contract backlog acquired and other. This adjustment is preliminary and based on management's estimate. The amount that will ultimately be allocated to identifiable intangible assets may differ materially from this preliminary allocation. Customer relationships are amortized using the straight-line method over an estimated useful life of fifteen years based on an estimate of repeat business with certain major customers. Contract backlog acquired is amortized using the straight-line method over an estimated useful life of 2.5 years. Favorable leases are amortized over the remaining terms of the leases. The Tutor-Saliba trade name and Nevada contractor's licenses held by a subsidiary of Tutor-Saliba are the only non-amortizable intangible assets anticipated to be acquired by Perini pursuant to the merger. The Tutor-Saliba trade name was determined to have an indefinite life on the basis that Tutor-Saliba and its subsidiaries intend to continue to operate under their existing names with no existing or contemplated plan to initiate any material changes to their licensed business operations. The Nevada contractor's licenses were determined to have indefinite lives on the basis that the licenses are critical to the success of the subsidiary's operations for an indefinite period of time and that the subsidiary would not be able to successfully operate in the state of Nevada without these licenses.

*Deferred tax liabilities.* The deferred tax liabilities reflect the estimated deferred tax liabilities associated with purchase accounting. Such deferred tax liabilities are primarily associated with the step-up to fair value of identifiable intangible assets. This determination is preliminary and subject to change based upon the final determination of the fair values of identifiable intangible assets acquired.

*Goodwill.* Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets. In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, goodwill will not be amortized, but instead will be tested for

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED****COMBINED FINANCIAL STATEMENTS (Continued)**

impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment. In the event the combined management determines that the value of goodwill has become impaired, the combined company will incur an accounting charge for the amount of the impairment during the period in which the determination is made.

**2. Pro Forma Adjustments**

Adjustments included in the column under the heading *Pro Forma Adjustments* in the unaudited pro forma condensed combined financial statements correspond to the following descriptions:

***Pro Forma Adjustments to Condensed Combined Balance Sheet***

(a) Adjust Tutor-Saliba's tangible fixed assets to fair value based upon a preliminary valuation study performed by management using available information from equipment dealers and financing institutions. The step-up to fair value in property and equipment primarily reflects a favorable market for used construction equipment and the overall good condition of the Tutor-Saliba equipment fleet. The step-up to fair value in other current assets reflects a favorable market for used steel maintained in inventory.

(b) Eliminate Tutor-Saliba's historical goodwill and record preliminary goodwill resulting from the merger. See Note 1 for a more detailed discussion.

(c) Eliminate Tutor-Saliba's historical intangible assets and record the preliminary estimated identifiable intangible assets, which include the acquired trade name, customer relationships, contract backlog acquired, favorable leases and other. See Note 1 for a more detailed discussion.

(d) Record deferred income tax liabilities of \$87,395 at 37.6% of the estimated identifiable intangible assets of \$232,433. Pursuant to the merger, also record a pro forma adjustment of \$18,593 to revalue the deferred income tax liabilities of Tutor-Saliba due to a change in tax rate from the subchapter S corporation election valuation rate to a subchapter C corporation valuation rate. The pro forma adjustments to the deferred income tax liabilities result in a corresponding increase in goodwill.

(e) Eliminate Tutor-Saliba's historical equity balances and record shares of Perini common stock issued as a result of the merger.

(f) Accrue estimated remaining incremental direct and external transaction costs of \$18.2 million (net of \$0.3 million included in Other Assets as deferred costs and \$0.7 million recorded as expense in 2008) comprised of investment banking fees (\$11.5 million), legal fees (\$4.3 million), accounting fees (\$0.6 million), due diligence expenses (\$0.6 million), and filing, printing and other costs related to the merger (\$1.2 million). These estimated transaction costs were developed based on actual invoices received and managements' estimates of the various remaining professional services to be provided. Also includes a \$12 million accrual for the payment of contingent consideration by Tutor-Saliba related to the acquisition of Desert Plumbing & Heating Co. consummated by Tutor-Saliba in January 2008 described under *Information About Tutor-Saliba Recent Developments and Expected 2008 Events* beginning on page 89. The contingent consideration payment of \$12 million becomes fixed and accelerated upon Tutor-Saliba's merger with Perini.

(g) Record the estimated distributions to be paid to Tutor-Saliba shareholders prior to the closing of the merger transaction as described under *Pre-closing Distribution of Property* beginning on page 66 (excluding the distributions of the office building, which was completed prior to March 31, 2008, and the Idaho residence, which is considered in Note 2(h) below) and *Pre-Closing Payment of Dividends; Dividend Notes* beginning on page 74. The estimated amounts of these distributions were developed by management based on the Tutor-Saliba retained earnings and cash balances at December 31, 2007, the estimated April 2008 subchapter S corporation tax liabilities of the Tutor-Saliba shareholders, actual cash distributions made to shareholders of Tutor-Saliba in 2008, and a projection of the amount of Tutor-Saliba cash available for distribution as of the closing date.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED****COMBINED FINANCIAL STATEMENTS (Continued)**

(h) Record distribution of Ketchum, Idaho property to the Tutor-Saliba shareholders prior to the merger.

(i) Eliminate intercompany balances between Perini and Tutor-Saliba.

**Pro Forma Adjustments to Condensed Combined Statements of Income**

(j) Reverse Tutor-Saliba's amortization of intangible assets.

(k) Record the amortization of the purchased intangible assets resulting from the merger. The purchased intangible assets consist of the estimated fair value of the acquired trade name, customer relationships, favorable leases, contract backlog acquired and other. (See Note 1)

	<b>Three Months Ended March 31, 2008</b>	<b>Fiscal Year Ended December 31, 2007</b>
(In thousands)		
<b>Amortization of purchased intangible assets:</b>		
Customer relationships	\$ 854	\$ 3,413
Favorable leases	789	3,157
Contract backlog acquired	1,150	4,600
	<b>\$ 2,793</b>	<b>\$ 11,170</b>
Trade name and other intangible assets	n.a.	n.a.

(l) Record the estimated incremental depreciation expense resulting from the step-up to fair value of the fixed assets acquired in the merger.

(m) Reverse the impact of certain properties distributed to Tutor-Saliba's shareholders prior to the merger.

(n) Record the impact of Tutor-Saliba's acquisitions of companies in September 2007 and January 2008, which are described under Information About Tutor-Saliba Recent Developments and Expected 2008 Events beginning on page 89, as if they were both acquired as of January 1, 2007. The pro forma amounts were derived from financial statements of the acquired companies as of the respective closing dates of the acquisition transactions.

(o) Eliminate intercompany balances between Perini and Tutor-Saliba.

(p) Record interest expense on distribution payable to Tutor-Saliba shareholders.

(q) Reverse transaction costs included in Tutor-Saliba's G&A expense.

(r) Record estimated impact of the new employment agreement between Perini and Ronald N. Tutor, chairman and chief executive officer.

(s) Record the tax effect of an assumed statutory income tax rate of 37.6% on the historical pretax income of Tutor-Saliba.

(t) Record the tax effect of an assumed statutory tax rate of 37.6% on the pro forma adjustments made.

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(u) The pro forma basic and diluted earnings per common share is based on the historical weighted-average number of shares of Perini common stock used in computing basic and diluted net income per share, plus approximately 23 million shares of Perini common stock assumed to be issued in connection with the merger based on the number of shares of Perini common stock outstanding as of April 2, 2008.

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**PROPOSAL 3: ELECTION OF DIRECTORS**

The Perini board of directors (the Board ) has nominated four (4) Class III directors to serve until the 2011 annual meeting of shareholders. In accordance with our bylaws, each director nominee will be elected to serve for a three-year term, unless he or she resigns, dies or is removed before his or her term expires, or until his or her successor has been duly elected and qualified.

The following individuals are the nominees for election to the Board:

Name	Age	Director Since
<b>Class III Nominees for Election</b>		
Marilyn A. Alexander	56	
Peter Arkley	53	2000
Raymond R. Oneglia	60	2000
Donald D. Snyder	60	

The principal occupation and business experience of each director nominee for the last five years is set forth below:

**Marilyn A. Alexander** is a nominee for director. She founded and has served as a principal of Alexander & Friedman LLC, a management consulting company, since 2006. Prior to that, she was senior vice president and chief financial officer of The Disneyland Resort since 2000. She is also a member of the board of governors of Chapman University, a not-for-profit organization, a member of the board of regents of Chapman University College, a not-for-profit subsidiary of Chapman University, the president of the board of directors of the Breast Health Awareness Foundation, a not-for-profit foundation, and a member of the board of advisors of Walkstyles, Incorporated, a privately held company.

**Peter Arkley** has served as a director since May 2000. He has served as the President/CEO of AON Construction Services Group, an insurance and bonding brokerage firm, since 2006 and prior to that was Managing Principal of Aon Risk Services, Inc. since 1994. He is also a director of Valley Crest Companies, a privately held company, and of the Greater Los Angeles Zoo Association, a non-profit organization.

**Raymond R. Oneglia** has served as a director since March 2000. He has also served as Vice Chairman of the board of directors of O&G Industries, Inc., a Connecticut corporation engaged in the construction industry, since 1997 and has served in various operating and administrative capacities since 1970.

**Donald D. Snyder** is a nominee for director. He was a director and the president of Boyd Gaming Corp. from 1997 until his retirement in 2005. He presently serves as a director of Sierra Pacific Resources, a public utility listed on the NYSE, Western Alliance Bancorp., a commercial bank holding company listed on the NYSE, Cash Systems, Inc., a corporation listed on NASDAQ, Bank of Nevada, a commercial bank and subsidiary of Western Alliance Bancorp., and Switch Communications Group, LLC, a privately held company. He is presently on the board of directors of the following not-for-profit entities: Las Vegas Performing Arts Center Foundation, Nevada Development Authority, Council for a Better Nevada, University of Nevada-Las Vegas Foundation, and the Nathan Adelson Hospice.

In 2007, we hired Spencer Stuart, an executive and director search consulting firm, to assist in identifying and/or evaluating potential director nominees. Spencer Stuart identified Mr. Snyder and Ms. Alexander as nominees for director.

Our Corporate Governance and Nominating Committee has recommended Messrs. Arkley and Oneglia for re-election, and Ms. Alexander and Mr. Snyder for election, as Class III Directors. Unless otherwise noted thereon, proxies solicited hereby will be voted for the election of the director nominees to hold office until the

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2011 annual meeting of shareholders, and until their successors are chosen and qualified. Each nominee has consented to being named in this proxy statement, and if elected, each nominee has consented to serve as a director until his or her successor is duly elected and qualified. The Board does not contemplate that any nominee will be unable to serve as a director for any reason, but if that should occur prior to the meeting, proxies solicited hereby may be voted either for a substitute nominee designated by the Board or recommended by the Corporate Governance and Nominating Committee, or the Board may determine to reduce the number of directors.

**Board Recommendation**

**THE PERINI BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE BOARD OF DIRECTORS NOMINEES FOR ELECTION AS A CLASS III DIRECTOR.**

**BOARD OF DIRECTORS**

The following table shows, as of June 30, 2008, the names and ages of our current directors and director nominees.

<b>Name</b>	<b>Age</b>	<b>Position (as of June 30)</b>	<b>Term of Office</b>
Ronald N. Tutor	67	Chairman of the Board, and Chief Executive Officer	2010
Robert Band	60	Director, President, and Chief Operating Officer	2009
Michael R. Klein	65	Vice Chairman of the Board, Director	2009
Peter Arkley	53	Director	2008
Raymond R. Oneglia	59	Director	2008
Robert L. Miller	67	Director	2009
Willard W. Brittain, Jr.	60	Director	2010
Robert A. Kennedy	72	Director	2010
Marilyn A. Alexander	57	Nominee for Director	
Donald D. Snyder	60	Nominee for Director	

For biographical summaries of the Class III directors, Messrs. Arkley and Oneglia, and the other director nominees, Mr. Snyder and Ms. Alexander, see the list of nominees above.

**Ronald N. Tutor** has served as our chief executive officer since March 2000, as chairman since July 1999, and as a director since January 1997. Mr. Tutor also serves as chairman, president and chief executive officer of Tutor-Saliba Corporation, a privately held California corporation engaged in the construction industry.

**Robert Band** has served as a director since May 1999. He has also served as chief operating officer since March 2000 and as president since May 1999. He has served as president of Perini Management Services, Inc. since 1996. He has served in various operating and financial positions with Perini Corporation since 1973, including executive vice president and chief financial officer from 1997-1999. He also serves as a director of Jewish Family Services of Metrowest, a not-for-profit entity.

**Michael R. Klein** has served as a director since January 1997 and as vice chairman of our board of directors since September 2000. He is also the designated lead director. Mr. Klein, a private investor, serves as chairman of the board of directors and member of the Nominating Committee of CoStar Group, Inc., a publicly held provider of commercial real estate information, as chairman of the Sunlight Foundation, a non-profit organization and as chairman of the board of directors of Le Paradou, LLC, a privately held company. He is also the lead director and member of the Governance Committee of SRA International, Inc., a publicly-traded provider of technology and strategic consulting services and solutions, and a director of AStar Air Cargo, Inc., and OZ Fitness, Inc., which are privately held. Mr. Klein was a partner of the law firm Wilmer Cutler Pickering from 1974 until 2004, and when Wilmer Cutler Pickering merged with the law firm Hale and Dorr LLP in 2004 became a partner of Wilmer Cutler Pickering Hale and Dorr LLP until his retirement in 2005.

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**Robert L. Miller** has served as a director since 2004. In 1979, he co-founded West Venture Development Co., a homebuilding and commercial real estate company, and acted as president until its sale in 1991. Previously he was a construction manager with Morrison-Knudsen Inc. He was chairman of the board of Monroc Corp., a public concrete and aggregate company based in Salt Lake City, Utah from 1995-1998. He is presently on the valuations committee of Caltius Mezzanine Partners, a capital source company in Los Angeles. Since 2000, he is a principal in Robert L. Miller & Assoc., Inc., a real estate development firm.

**Willard W. Brittain, Jr.** became a director in November 2004. He has served as chairman and chief executive officer of Professional Resources on Demand, a private senior executive staffing company, since 2002. He previously served as chief operating officer of PwC Consulting since 2000, and chief operating officer of PricewaterhouseCoopers, LLP since 1997. Mr. Brittain also serves on the board of Analysts International, where he is a member of the audit and compensation committees, DaVita Corporation, where he serves on the compliance and public policy committees, and Convergys Corporation. All are publicly held companies.

**Robert A. Kennedy** has served as a director since March 2000. He has been an independent financial consultant since 2003. From 1993 to 2003, Mr. Kennedy served in various capacities, including as vice president special projects, for The Union Labor Life Insurance Company, a provider of insurance and financial services to its union members and related trust funds.

## **Board Composition**

The Board currently consists of eight directors. In accordance with our bylaws and the requirements of the Massachusetts Business Corporations Act, the Board is divided into three classes, with each director serving for a term of three years. As a consequence, the term of only one class of directors expires each year. At each annual meeting of shareholders, the successors to one class of directors then serving are elected to serve from the time of their election and qualification until the third annual meeting following their election or until their successors have been duly elected and qualified, or until their earlier resignation, removal or death.

As a result of the resignation of James A. Cummings on December 18, 2007, the Board has had only two Class III directors and one vacant Class III seat. (Class I and Class II each consist of three directors.) On March 19, 2008, at the recommendation of the Corporate Governance and Nominating Committee, the Board unanimously determined to increase the size of the board from nine to eleven directors. An additional seat was added to Class III; there are now two vacant Class III seats. In addition, there is one open seat that will be filled by a designee of the shareholder representative upon completion of the merger. The Board, at the recommendation of the Corporate Governance and Nominating Committee, has unanimously nominated Ms. Alexander and Mr. Snyder for election as Class III directors. The two incumbent Class III directors have been re-nominated.

If the Perini shareholders approve the share issuance proposal (Proposal 1) and the articles amendment proposal (Proposal 2) and the merger is completed, the Board intends for the open seat to exist following the annual meeting to accommodate the addition of a director designated by Mr. Tutor pursuant to the terms of the Shareholders Agreement that will become effective upon completion of the merger. Under the Shareholders Agreement, Mr. Tutor (as shareholder representative) will have the right to designate up to two nominees for appointment to the Board (and thereafter, for nomination for election), subject to certain limitations contained in the Shareholders Agreement. In addition, for so long as Mr. Tutor serves as our chief executive officer, he will be nominated for election to the Board. For a detailed description of the post-merger board composition, please see [Post-Merger Governance and Management Board of Directors](#) beginning on page 85.

Mr. Tutor has advised the Corporate Governance and Nominating Committee that he has selected C.L. Max Nikias as one of his designees, to be appointed to the Board immediately following completion of the merger. The Corporate Governance and Nominating Committee has, after review of his qualifications, recommended Mr. Nikias' appointment to the Board, and the full board unanimously approved the expansion of the board to

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eleven members and the appointment of Mr. Nikias to fill the eleventh seat, subject to, and effective immediately following completion of, the merger. Mr. Nikias would be appointed as a Class II director, and he would serve the remaining two years of the term of a Class II director.

As of the date of this proxy statement, Mr. Tutor has not elected to exercise his right to nominate a second director for election, although he has not waived the right to do so in the future. Under the Shareholders Agreement, Mr. Tutor has the right to designate two of eleven directors. Mr. Tutor has advised the Board that should he choose to designate a second person for appointment to the board of directors at a time when the board already includes eleven members, he would support a temporary expansion of the board to twelve members to accommodate such additional member. Such expansion would continue until the next meeting of shareholders at which directors are elected, at which time he would expect the size of the board to be reduced back to eleven members (as contemplated by the Shareholders Agreement) and the slate of nominees for election to be adjusted accordingly.

The principal occupation and business experience of Mr. Nikias for the last five years is set forth below.

*C.L. Max Nikias* is provost and senior vice president of the University of Southern California since 2005 and prior to that was the Dean of the University of Southern California Viterbi School of Engineering since 2001. He also serves on the executive committee of the Chadwick School, a private primary and secondary school. As of the date of this proxy statement, Mr. Nikias does not beneficially own any shares of Perini or Tutor-Saliba common stock.

### **Director Independence**

The Board has determined that Mr. Oneglia, Mr. Klein, Mr. Brittain, Mr. Miller, Mr. Kennedy, Mr. Arkley, Ms. Alexander and Mr. Snyder are independent in accordance with the corporate governance standards for companies listed on the NYSE. In determining independence pursuant to NYSE standards, each year the Board determines whether directors have a direct or indirect material relationship with Perini, including its subsidiaries, that may interfere with their ability to exercise their independence from Perini. In anticipation of the completion of the merger, the Board has made a determination that none of the independent directors will have a direct or indirect material relationship with the combined company, including its subsidiaries, that would interfere with their ability to exercise their independence from the combined company. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships, among others.

In evaluating the independence of each non-employee director, the Board considered several factors. With respect to Mr. Oneglia, the board considered the relationship between O&G Industries, Inc., of which Mr. Oneglia is Vice Chairman of the board or directors and a principal shareholder, and Perini including the construction joint ventures between Perini and O&G Industries. The Board determined that the joint ventures did not impact Mr. Oneglia's independence from Perini management because (1) the joint ventures are formed for the limited purposes of performing specific contractual requirements for owners as is commonplace in the construction business, (2) Mr. Oneglia is not personally involved in the management of these joint ventures and (3) Perini and O&G have an equal vote in the governance of such joint ventures. With respect to Mr. Arkley, the Board considered the relationship between AON Risk Services (AON), of which Mr. Arkley is President of the Construction Services Group, and Perini, an insurance and bonding client of AON. The Board has determined that his independence from Perini management is not impacted because (1) services provided by AON are supplied to Perini on terms similar to AON's other clients and (2) Mr. Arkley is not involved in the day to day management of the Perini relationship. No other independent directors had material relationships with Perini other than in their capacities as directors. The Perini board of directors has made no formal findings regarding the independence of Mr. Nikias but plans to make such a determination prior to appointing him to the board.

### **Communications with the Board**

The Board welcomes the submission of any comments or concerns from shareholders and other interested parties. A Perini shareholder who wishes to communicate with our board of directors may submit such communication in writing to Perini Corporation, 73 Mt. Wayte Avenue, Framingham, MA 01701 and marked to



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the attention of the Board or any of its committees or individual directors. All comments or concerns from shareholders and other interested parties will be forwarded to the Chair of our Audit Committee.

In order to facilitate communications with the independent directors, we have a secure telephone number (800-489-8689) whereby interested parties can communicate directly and confidentially with the independent directors, the Audit Committee or the Corporate Governance and Nominating Committee.

## **CORPORATE GOVERNANCE**

### **Committees and Meetings of the Board of Directors**

The Board met four times during 2007. During 2007, all of our directors attended at least 75% of (i) the total number of meetings of the Board and (ii) the total number of meetings held by all committees on which such director served. The members of the Board are encouraged to attend our annual shareholders meetings. Seven of the eight current directors attended the 2007 annual shareholders meeting.

Our bylaws authorize the Board to appoint one or more committees, each consisting of one or more directors. The Board currently has three standing committees: an Audit Committee, a Corporate Governance and Nominating Committee and a Compensation Committee. As described above, the Board has also created a Special Committee to explore and evaluate potential strategic transactions that might be available to Perini, including in particular a business combination transaction with Tutor-Saliba, and to discuss and negotiate the terms of any such transactions.

### **Audit Committee**

Our board of directors has an Audit Committee, which consists of Willard W. Brittain, Jr. (Chair), Michael R. Klein, Raymond R. Oneglia and Robert A. Kennedy. Each of the members of the Audit Committee meets the independence and experience requirements of the rules of the NYSE and the Securities and Exchange Commission, as affirmed by the Board. Based upon review of his qualifications, our board of directors has designated Mr. Brittain as the Committee's financial expert, as defined by the rules of the Securities and Exchange Commission.

The primary duties and responsibilities of the Audit Committee are to:

1. Oversee the integrity of our internal controls, financial systems and financial statements;
2. Review the quarterly unaudited and annual audited financial statements with management and the independent auditor;
3. Appoint and evaluate the independent auditor and monitor and evaluate the auditor's qualifications and independence;
4. Oversee compliance with legal and regulatory requirements;
5. Meet with the independent auditor in executive session at least annually;
6. Monitor the performance of both our internal and external auditors; and
7. Annually review the Audit Committee's charter and performance.

The Audit Committee has the authority to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee met ten times in 2007.

**Corporate Governance and Nominating Committee**

Our board of directors has a Corporate Governance and Nominating Committee, which consists of Michael R. Klein (Chair), Peter Arkley, and Raymond R. Oneglia. Each member of the Corporate Governance and Nominating Committee is an independent director, as defined by the NYSE and as affirmed by our board of directors. The duties of the Corporate Governance and Nominating Committee include:

1. Identifying individuals qualified to become directors and recommending to the full Board the persons to be nominated for election as directors;

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2. Recommending director nominees for each committee of our board of directors and nominees for Chair of each committee;
3. Evaluating the independence of each director and so advising our board of directors;
4. Conducting a review and update as necessary of the Corporate Governance Guidelines and the Code of Business Conduct and Ethics;
5. Conducting evaluations of the performance of our board of directors and each committee, including a self-evaluation; and
6. Nominating a Lead Director whose duties shall include presiding at executive sessions of the non-management directors. The Corporate Governance and Nominating Committee met four times in 2007.

The Corporate Governance and Nominating Committee has the authority to retain consultants or other experts as it considers necessary to assist in the performance of its duties.

The independent directors have designated Michael Klein, Chair of the Corporate Governance and Nominating Committee, to act as the Lead Director. In his capacity as Lead Director, Mr. Klein has the following duties and authority:

chairing any meeting of the independent members of the Board in executive session;

meeting with any director who is not adequately performing his duties as a member of the board or any committee;

serving as a liaison between the chairman of the Board and the independent directors;

working with the chairman to prepare the agenda for Board meetings and determining the need for special meetings of the Board;  
and

consulting with the chairman on matters relating to corporate governance and Board performance.

**Compensation Committee**

Our board of directors has a Compensation Committee, which consists of Raymond R. Oneglia (Chair), Michael R. Klein and Robert L. Miller. Each member of the Compensation Committee is an independent director, as defined by the NYSE and as affirmed by our board of directors.

The principal powers and duties of the Compensation Committee as established by our board of directors are to:

1. Review the executive compensation programs and policies and to employ outside expert assistance, if required, to analyze our compensation practices to assure that they are consistent with corporate goals and objectives, and competitive with those of comparable firms in the construction industry;
- 2.

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Review and approve corporate goals and objectives relevant to the compensation of the chairman and chief executive officer, to evaluate his performance in light of those goals and objectives, and to determine and approve his compensation level based on this evaluation;

3. Make recommendations to our board of directors with respect to executive officer compensation;
4. Recommend to the board of directors annual profit and other targets for Perini for the purpose of determining incentive compensation awards under the provisions of the Amended and Restated General Incentive Compensation Plan and the Construction Business Unit Incentive Compensation Plan (the Incentive Compensation Plan );
5. Administer the Special Equity Incentive Plan and the 2004 Stock Option and Incentive Plan (together, the Stock Option Plans ) and the Incentive Compensation Plan; such administration includes power to (i) approve participants participation in the Stock Option Plans, (ii) establish performance goals,

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(iii) determine if and when any bonuses shall be paid, (iv) pay out any bonuses, in cash or stock or a combination thereof, as the Committee shall determine from year to year, (v) construe and interpret the Incentive Compensation Plan and the Stock Option Plans, and (vi) establish rules and regulations and perform all other acts it believes reasonable and proper; and

6. Review the investment performance of the Perini Corporation Pension Plan and make changes in investment managers and allocations, as the Compensation Committee deems necessary.

The Compensation Committee has the authority to retain special consultants to advise the committee as it considers necessary. The Compensation Committee met seven times in 2007.

Perini maintains on its website, <http://www.perini.com>, copies of the charters of each of the committees of our Board. We have also developed Corporate Governance Guidelines and a Code of Business Conduct and Ethics to outline our commitment to carefully govern the operation of our business and compliance with applicable laws and regulations, while maintaining the highest ethical standards. The Code applies to all of our officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer, and persons performing similar functions. Perini's Corporate Governance Guidelines and Code of Business Conduct and Ethics are available on our website at <http://www.perini.com>. In order to access this portion of our website, click on the Corporate Governance tab. Interested parties may obtain printed copies of these documents by writing to the Investor Relations Department of the Company at 73 Mt. Wayte Avenue, Framingham, MA 01701. Any amendments to, or waivers of, the Code of Business Conduct and Ethics which apply to our directors, chief executive officer, chief operating officer, chief financial officer or any person performing similar functions will be disclosed on our website promptly following the date of such amendment or waiver.

**Nominations for Director**

The Board seeks candidates who are independent, possess relevant business, professional or board experience to make a significant contribution to the Board and have sufficient availability to attend to the business of our company. Annually, the Corporate Governance and Nominating Committee conducts an evaluation of the Board to determine whether it is functioning effectively, and recommends to the full Board the slate of director-nominees to be nominated for election at the next annual meeting of shareholders. Potential candidates for the Board may include candidates nominated by shareholders in accordance with our bylaws, those identified by a search firm retained for such purpose, or candidates recommended by other persons, including current directors or executive officers. Pursuant to the Corporate Governance and Nominating Committee charter, the process and criteria for considering the recommendations of shareholders with respect to candidates for election to the Board is the same as those used for candidates recommended by other parties, including shareholders. The minimum qualifications and specific qualities and skills required for directors are set forth in the Corporate Governance Guidelines, a copy of which is maintained on our website <http://www.perini.com>.

A shareholder who wishes to recommend a director-nominee to the Corporate Governance and Nominating Committee for the 2009 annual meeting of shareholders should submit the recommendation in writing to Perini Corporation, 73 Mt. Wayte Avenue, Framingham, Massachusetts 01701-9160, Attn: Corporate Secretary, so it is received not less than 75 days nor more than 180 days prior to the anniversary date of the 2008 Perini annual meeting of shareholders. However, if the 2009 annual meeting of shareholders is held more than seven (7) days earlier than the anniversary date of the 2008 annual meeting then notice must be delivered or received no later than 5 p.m. eastern time on (a) the 20th day following the earlier of (i) the day on which such notice of the date of the annual meeting is mailed or (ii) the day on which public disclosure of the dated the annual meeting is made, or (b) if such date of notice or public disclosure occurs more than 75 days prior to the scheduled date of such meeting, then the later of (i) the 20th day following the first to occur of such notice or such public disclosure or (ii) the 75th day prior to such scheduled date of such meeting.

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**THE AUDIT COMMITTEE REPORT**

Pursuant to rules adopted by the SEC designed to improve disclosures related to the functioning of corporate audit committees and to enhance the reliability and credibility of financial statements of public companies, the Audit Committee of the Board submits the following report.

The primary duties and responsibilities of the Audit Committee (the Committee), which met ten times during the past fiscal year, are to oversee:

1. The integrity of Perini's internal controls, financial systems and financial statements;

2. Compliance by Perini with legal and regulatory requirements; and

3. The independence and performance of both Perini's internal and external auditors.

We meet with management periodically to consider the adequacy of Perini's internal controls, as well as compliance with Sarbanes Oxley Section 404, and the objectivity of Perini's financial reporting. We discuss these matters with Perini's independent auditors and with appropriate Company financial personnel and internal auditors.

We meet privately with both the independent auditors and the internal auditors, as required, each of whom has unrestricted access to the Committee.

We also appoint the independent auditors and review periodically their performance and independence from management. As in prior years, the independent auditors are invited to be present at our annual meeting of shareholders.

The directors who currently serve on the Committee meet the independence and experience requirements of the NYSE, and have been so affirmed by the Board. In connection therewith, the Board has determined that none of us has a relationship with Perini Corporation that may interfere with our independence from Perini and its management. The Board has designated Willard W. Brittain, Jr. as the Audit Committee Financial Expert, based in part on review of his qualifications.

The Board has adopted a written charter setting forth the duties and responsibilities the Committee is to perform, which we review annually and revise as appropriate.

Management has primary responsibility for Perini's financial statements and the overall reporting process, including Perini's system of internal controls, and compliance with Sarbanes Oxley Section 404.

The independent auditors audit the effectiveness of the internal controls over financial reporting as well as annual financial statements prepared by management, express an opinion as to whether those financial statements fairly present the financial position, results of operations and cash flows of Perini in conformity with accounting principles generally accepted in the United States and discuss with us any issues they believe should be raised with us.

This year, we reviewed Perini's audited financial statements and met with both management and Deloitte & Touche LLP, Perini's independent auditors, to discuss those financial statements. Management has represented to us that the financial statements were prepared in accordance with accounting principles generally accepted in the United States.

We reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be

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discussed with the Audit Committee under generally accepted accounting standards. In addition, we have received from and discussed with Deloitte & Touche LLP the written disclosure and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees . These items relate to that firm s independence from Perini. We also discussed with Deloitte & Touche LLP any matters requiring discussion per the standards of the Public Company Accounting Oversight Board, including those required by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.

We have considered and determined that the provision of the non-audit services included in Fees Paid to Audit Firm on page 139 is compatible with maintaining Deloitte & Touche LLP s independence.

Based on these reviews and discussions, we recommended to the Board that Perini s audited financial statements be included in Perini s Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

AUDIT COMMITTEE  
Willard W. Brittain, Jr., Chair  
Robert A. Kennedy  
Michael R. Klein  
Raymond R. Oneglia

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**COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

**Compensation Philosophy**

Our executive compensation program is intended to attract and retain talented executive officers and key employees who will continue to contribute to Perini's long-term success. We believe that it is important to tie compensation to our operating and financial goals, thereby aligning more closely the interest of management with that of our shareholders. We are mindful of the limited pool of available talent and consider competitive conditions when determining compensation.

In recognition of the variability of the building industry, we have historically believed that compensation focusing on shorter-term corporate goals is more appropriate for Perini and our shareholders and more effective in retaining and motivating our key executive talent. As a result, our compensation practices for our named executive officers have emphasized annual cash compensation (base salary and annual cash incentive awards). Long-term awards have not historically been granted on a regular basis, but instead have been granted when the Compensation Committee has determined an award to be appropriate based on the circumstances prevailing at the time. During 2008, however, we have commenced a project to review our executive compensation practices to determine whether our practices continue to best serve Perini and our shareholders. We expect this review to be more extensive, and our compensation policies and practices to be subject to more substantial revision, if we complete the announced merger with Tutor-Saliba, as discussed in this proxy statement.

Consistent with this approach, we have historically aimed to have the target annual cash compensation for our named executive officers fall within the 50th to 75th percentile for comparable executives of our relevant competitors. The Compensation Committee slots each of our named executive officers into this range based on the Compensation Committee's evaluation of the value of that officer to Perini and the amount of compensation necessary to encourage that officer to remain employed by Perini and to appropriately focus that officer on achieving Perini's corporate goals. To ensure that a significant amount of each named executive officer's total cash compensation is at risk and earned only if Perini's goals are achieved, approximately 40-60% of each such officer's target annual cash compensation is provided in the form of an annual incentive bonus opportunity, with the balance provided in the form of a fixed base salary.

To execute this strategy, the Compensation Committee has engaged Watson Wyatt to perform an executive compensation review with respect to Perini's named executive officers. The most recent review was completed in 2007. Reviewing the relevant data for each of Washington Group International, Shaw Group, Peter Kiewit Sons, Granite Construction, URS Corp., Aecom Technology Corp., Chicago Bridge & Iron Co., Emcor Group, Inc., Foster Wheeler, Ltd., Jacobs Engineering Group, Inc. and Tetra Tech, Inc., Watson Wyatt established a range of annual cash compensation for each of our named executive officers at the time. Using this data and consistent with the methodology described above, the Compensation Committee set the target annual cash compensation for our named executive officers to fall within the 50-75<sup>th</sup> percentile of annual cash compensation for comparable officers of these companies. As described in more detail below, this methodology was not applied to Mr. Burk, who was hired by Perini in 2007 (following completion of Watson Wyatt's study).

**Elements of Compensation**

As noted above, our executive compensation program primarily relies on annual cash compensation to retain and motivate our named executive officers. Accordingly, base salaries and annual incentive awards are the primary components of our program. In addition, the Compensation Committee has used ad hoc grants of long-term incentive awards when deemed appropriate by the Compensation Committee based on conditions prevailing at the time. Finally, Perini provides certain retirement benefits to our named executive officers to encourage long-term service to Perini.



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### **Base Salary**

The base salary of each of our named executive officers is fixed compensation that is not directly tied to the performance of Perini. We pay base salaries to fairly compensate our named executive officers for the services they provide during the year and because we believe our executive compensation program would not be competitive and effective in retaining our named executive officers if we did not pay base salaries. With the exception of Mr. Burk, who was hired in 2007, the base salaries of our named executive officers were initially established in 2004 at the time Watson Wyatt prepared an initial benchmarking study. At that time, the Compensation Committee determined the appropriate level of each named executive officer's target total annual cash compensation based on Watson Wyatt's study and the Compensation Committee's evaluation of the appropriate position for each such named executive officer within the desired range for our relevant competitors. The Compensation Committee then established the base salary for each named executive officer within this range, generally determining that approximately 40-60% of the target total annual cash compensation for each named executive officer (other than Mr. Burk) was the appropriate amount for base salaries.

Since this initial establishment of the base salaries of our named executive officers in 2004, the Compensation Committee has annually reviewed them to determine whether any increases are appropriate. Base salaries are generally increased in March or April of each year, with any increase reflected only prospectively. (As a result, the amount of salary paid to an executive in a fiscal year is less than the increased annual salary amount set by the Compensation Committee during that year.) As part of the annual review process in 2007, the Compensation Committee also relied on the study prepared by Watson Wyatt in 2007 to confirm that base salaries of our named executive officers (other than Mr. Burk), along with their annual incentive award, would remain within the 50-75<sup>th</sup> percentile for total annual cash compensation for comparable officers of companies included in the study. The Compensation Committee also continued to include 40-60% of target annual cash compensation in the performance-based annual incentive opportunity. In 2007, the base salaries of three of our named executive officers were increased by the following amounts: Mr. Tutor \$100,000; Mr. Band \$50,000 and Mr. Caspers \$75,000. The base salary of our other named executive officers did not change in 2007. The Compensation Committee determined these increases to be appropriate because of its view that Mr. Tutor has unique talents that have been demonstrated throughout his tenure, Mr. Band has led the recent above average performance for both Perini as a whole and as President of Perini Management Services, Inc., and Mr. Caspers is critical to our successful gaming and hospitality business, and works in the highly competitive Las Vegas market. In addition, the Compensation Committee considered Mr. Casper's promotion to President of Perini Building Company when deciding on the increase in his salary.

Although the above discussion indicates that Mr. Tutor receives a base salary from Perini, Mr. Tutor's base salary was not, in fact, paid directly to him by Perini in 2007. Rather, he was compensated through a Management Agreement with Tutor-Saliba. However, the Compensation Committee applies similar methodology to determining payments under this agreement as it does to setting executive salary levels.

Mr. Burk's base salary was established when he was hired in 2007. At the time of his employment, the Compensation Committee believed that it was appropriate and important for Mr. Burk to receive a significant long-term equity award to more significantly tie his earnings to the performance of Perini. Taking this award into account, Perini established Mr. Burk's annual base salary at \$375,000, which is between the 25-50th percentiles for base salaries of comparable officers included in the last compensation study prepared by Watson Wyatt.

### **Incentive Compensation Plans Annual Awards**

As described above, our historic executive compensation program has emphasized the importance of annual cash compensation in motivating and retaining our named executive officers. To provide appropriate incentives to our named executive officers, approximately 40-60% of their target annual cash compensation is comprised of an annual incentive bonus opportunity that is paid only if Perini achieves pre-established performance goals set by the Compensation Committee.

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For 2007, the Compensation Committee established a target annual bonus for each named executive officer that was payable only if Perini achieved the applicable performance goal established by the committee. If Perini achieved 80% of this goal, each named executive officer would receive 80% of his target annual bonus amount. If Perini achieved between 80% and 100% of this goal, each named executive officer would receive between 80% and 100% of his target annual bonus amount. Each named executive officer's annual bonus was capped at 100% of his applicable target bonus, regardless of whether Perini exceeded the applicable performance goal.

The table below shows the threshold, target and maximum bonus opportunities as a percentage of actual base compensation paid in 2007 for our named executive officers:

	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
R. Tutor	80%	100%	100%
K. Burk	60%	75%	75%
M. Ciskey	60%	75%	75%
C. Shaw	80%	100%	100%
R. Band	80%	100%	100%
M. Caspers	80%	100%	100%

The dollar amounts corresponding to these percentages are included in the table captioned "Grants of Plan-Based Awards Table" on page 131.

For 2007, the Compensation Committee selected Perini's pre-tax income as the applicable performance goal for the annual bonuses for our named executive officers because this goal encourages executives to both obtain new projects for Perini and to complete Perini's projects on a cost efficient basis. The applicable target goal set by the Compensation Committee for 2007 was \$116,500,000 of pre-tax income. Because Perini exceeded this goal and earned \$154,395,000 of pre-tax income in 2007, each named executive officer was paid his maximum target bonus. Mr. Burk received a target annual bonus amount equal to 75% of his prorated base compensation in 2007, which is the maximum bonus for which he was eligible.

**Long-Term Incentives**

As noted earlier, regular grants of long-term incentives have not played a significant role in our executive compensation because of our historic belief that year-to-year incentives better focus our executives on achieving Perini's performance objectives. Accordingly, with the exception of Mr. Burk, we did not grant long-term incentive awards to our named executive officers in 2007. This decision was due in part to the fact that our named executive officers had received a significant grant of long-term equity awards in 2006 and in part to the Compensation Committee's determination that another grant of long-term incentives in 2007 was not necessary to appropriately incent our named executive officers.

Upon his employment, Mr. Burk received a grant of 50,000 restricted stock units, each of which represents the right to receive one share of our common stock upon vesting. Fifty percent of these awards vested on January 5, 2008 with the balance vesting on January 5, 2009 if Mr. Burk is then employed by Perini. The Compensation Committee granted this award to Mr. Burk to immediately provide him with a significant equity stake in Perini so that his earnings are directly and materially tied to the performance of Perini. As noted earlier, this award was taken into account in determining Mr. Burk's base salary and 2007 annual bonus opportunity.

**Retirement Benefits**

In addition to providing annual compensation to our named executive officers, we believe it is imperative that employees provide for their retirement years and believe that it is our obligation to contribute as well. Attractive retirement benefits are essential when competing in the marketplace for talented and qualified employees.

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We have a tax-qualified Section 401(k) Retirement Plan covering all of our executive, professional, administrative and clerical employees who are over 21 years of age and who have completed three months of service with us. Employer contributions into the 401(k) plan are based on a non-discretionary match of employees' contributions, as defined. The Compensation Committee reviews the employer match formula periodically, comparing the formula to that of similar companies, and improves the formula when it deems appropriate; the most recent change became effective in January 2007.

We also have a defined benefit pension plan for all of our full-time employees who were employed prior to June 1, 2004 when the plan was frozen, meaning that final average earnings and years of service will remain at the June 1, 2004 level for purposes of calculating future benefits. To the extent covered remuneration is limited by the Internal Revenue Code of 1986, as amended, certain pension benefits payable have been augmented through our Benefit Equalization Plan, which was also frozen at June 1, 2004. Following the freezing of the pension plan in 2004, the Compensation Committee voted to improve Perini's contribution toward employees' retirement by enhancing the 401(k) match formula.

## **Role of Executive Officers in Setting Compensation**

We believe that our chief executive officer is best positioned to evaluate both the performance of our other named executive officers and the competitive market for senior executives in our industry. Accordingly, the Compensation Committee works closely with Mr. Tutor in establishing the compensation of our other named executive officers. For 2007, Mr. Tutor recommended to the Compensation Committee the increases in base salaries and the target annual bonus amounts that he believed appropriate for our named executive officers (other than himself), all within the general framework of our compensation philosophy discussed above. After discussion with Mr. Tutor and careful evaluation of his recommendations, the Committee approved these recommendations.

## **Impact of Accounting and Tax Treatment**

We believe that the primary goals of our executive compensation program are to attract and retain valued and important named executive officers, to clearly identify for our named executive officers the corporate goals and objectives important to Perini, to motivate our named executive officers to achieve these goals and to fairly reward our named executive officers for achieving these goals. Accordingly, the accounting and tax treatment of our executive compensation program, while important, is not a determining factor in structuring our program. We appropriately account for our executive compensation and, to the extent consonant with the goals of our executive compensation program, we attempt to structure our executive compensation program to preserve the deductibility of amounts paid to our named executive officers. With respect to 2007, we believe that the cash compensation paid to our named executive officers is fully deductible.

## **Recent Events**

As described in this proxy statement, in April 2008, we entered into a merger agreement with Tutor-Saliba. If the merger is completed, we will be a significantly larger and more diverse company. In connection with the signing of the merger agreement, we negotiated and signed a five-year employment agreement with Mr. Tutor that will become effective only if we consummate that transaction. In addition, if we consummate the transaction, we may implement other changes to our executive compensation philosophy and approach. We intend to work with Watson Wyatt in evaluating potential changes to levels and elements of compensation, as well as to our compensation programs and policies in light of the impact of the merger on our business. We also are considering the possibility of entering into employment agreements with some of our executives in connection with the merger.

**Table of Contents****Summary Compensation Table**

The table below summarizes the total compensation paid to or earned by each of our named executive officers for the fiscal years ended December 31, 2007 and December 31, 2006.

Name and Principal Position	Year	Salary (6)	Bonus	Stock	Option Awards	Non-Equity Incentive Plan	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation (4)	Total
				Awards (1)		Compensation (2)	Earnings (3)		
Ronald N. Tutor Chairman and Chief Executive Officer (5)	2007			\$ 3,996,300		\$ 976,900		\$ 976,900	\$ 5,950,100
	2006		\$ 800,000	\$ 9,149,500		\$ 879,000		\$ 879,200	\$ 11,707,700
Kenneth R. Burk	2007	\$ 122,600		\$ 1,596,600		\$ 91,950		\$ 26,300	\$ 1,837,450
Sr. Vice President and Chief Financial Officer (beginning Sept. 2007)									
Michael E. Ciskey Vice President, Chief Financial Officer (until Sept. 2007-currently SVP-Civil)	2007	\$ 325,000		\$ 379,100		\$ 243,750	\$ 87,000	\$ 62,000	\$ 1,096,850
	2006	\$ 314,000		\$ 284,400		\$ 235,800	\$ 5,700	\$ 50,900	\$ 890,800
Craig W. Shaw Chairman and CEO Perini Building Company	2007	\$ 500,000	\$ 150,000	\$ 1,895,700		\$ 478,750	\$ 198,800	\$ 92,100	\$ 3,315,350
	2006	\$ 484,100		\$ 1,421,800		\$ 463,600	\$ 6,100	\$ 84,000	\$ 2,459,600
Robert Band President and Chief Operating Officer	2007	\$ 538,500		\$ 1,263,800		\$ 538,500	\$ 345,000	\$ 35,800	\$ 2,721,600
	2006	\$ 484,100	\$ 250,000	\$ 947,900		\$ 484,100	\$ 27,800	\$ 27,300	\$ 2,221,200
Mark A. Caspers President, Perini Building Company	2007	\$ 482,700	\$ 150,000	\$ 947,900		\$ 462,200	\$ 26,150	\$ 56,700	\$ 2,125,650
	2006	\$ 401,000		\$ 710,900		\$ 307,100		\$ 79,400	\$ 1,498,400

(1) With the exception of Mr. Burk's awards, amounts are based on the value of restricted stock units granted on April 5, 2006 at \$31.55, which was the closing market price of our common stock on that date, amortized during the indicated fiscal year in accordance with FAS 123(R). Mr. Burk's units were based upon the closing market price of \$53.22 on September 26, 2007, which was the grant date of his award. The awards were granted under the 2004 Stock Option and Incentive Plan.

(2) These amounts represent payments made in 2008 and 2007, based on attainment of pretax income goals for 2007 and 2006 under our incentive compensation plans discussed above under the heading "Incentive Compensation Plans". For 2007, Mr. Shaw and Mr. Caspers each received a discretionary payment of \$150,000 in addition to the amounts payable under the plan formula, as reflected in the "Bonus" column. For 2006, Mr. Tutor and Mr. Band also received discretionary payments of \$800,000 and \$250,000, respectively, which has been similarly reflected.

Messrs. Shaw and Caspers, with the concurrence of the Compensation Committee, had a portion of their annual incentive payments allocated to a bonus pool for the benefit of employees who work for Perini Building Company and who are otherwise not eligible to participate in the incentive compensation plan. As a result, the incentive payments made to Messrs. Shaw and Caspers for 2007 were reduced by \$21,250 and \$20,500 (\$20,600 and \$13,600 for 2006), respectively, to fund these allocations.

(3) Perini has a non-contributory defined benefit pension plan for all of our full-time employees prior to June 1, 2004 when the plan was "frozen", meaning that final average earnings and years of service will remain at the June 1, 2004 level for purposes of calculating future benefits. Certain pension benefits payable have been augmented by a benefits equalization plan, or BEP, which was also frozen on June 1, 2004. The amounts presented here represent the difference between the present value of the benefits payable from the pension plan and the BEP as of December 31, 2007 and 2006, as compared to December 31, 2006 and 2005. The present values were calculated using the discount rates used to compute our pension benefit obligations at year end, which were 6.41%, 5.86% and 5.62% for December 31, 2007, 2006 and 2005, respectively. As the plans are frozen, the change in pension value above is primarily caused by the change in the discount rate and the present value effect of the individual being one year closer to normal retirement age. The change in 2007 is additionally impacted to reflect the earliest retirement age for which benefits are unreduced in conformance with recent SEC guidance. The change in pension value attributable to the change in the retirement age assumption is \$369,200 for Mr. Band, \$50,600 for Mr. Caspers, \$101,300 for Mr. Ciskey and \$273,300 for Mr. Shaw. Mr. Tutor and Mr. Burk do not participate in these plans.



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(4) The \$976,900 listed for Mr. Tutor represents management service fees paid to Tutor-Saliba Corporation of which Mr. Tutor is the chairman, president, chief executive officer and primary beneficial owner. The management agreement between Perini and Tutor-Saliba is discussed below beginning on page 135 under Tutor-Saliba Management Agreement. If we complete the recently announced merger with Tutor-Saliba, Mr. Tutor's ongoing employment and compensation will be governed by the terms of a new five-year employment agreement. This agreement is discussed under The Employment Agreement beginning on page 83.

The \$26,300 listed for Mr. Burk includes temporary housing expenses (\$15,800) and vehicle allowance (\$3,600). It also includes life insurance premiums.

The \$62,000 listed for Mr. Ciskey includes temporary housing expenses (\$27,300) and company vehicle use (\$13,800). It also includes his 401(k) match (\$9,000), tax gross-up (\$9,700) and life insurance premiums.

The \$92,100 listed for Mr. Shaw includes temporary housing expenses (\$45,300), company vehicle use (\$23,800), and club membership dues (\$10,500). It also includes his 401(k) match (\$9,000) and life insurance premiums.

The \$35,800 listed for Mr. Band includes company vehicle use (\$12,400), his 401(k) match (\$9,000), tax gross-up (\$8,900) and life insurance premiums.

The \$56,700 listed for Mr. Caspers includes company vehicle use (\$23,250), temporary housing expenses (\$12,100), club membership dues (\$7,300), and travel allowance. It also includes his 401(k) match (\$9,000) and life insurance premiums.

(5) We negotiated and signed a five-year employment agreement with Mr. Tutor that will become effective only if we consummate the pending merger between Perini and Tutor-Saliba.

(6) The salary amounts reflect actual amounts received, which for Messrs. Tutor, Band and Caspers reflect a prorated amount of their respective annual current base salaries because salary increases were not determined or made effective until March 2007. The base salary for Mr. Burk was prorated from his start date of September 1, 2007. The current annual base salaries for our named executive officers (which have not been increased since March 2007) are: Mr. Tutor, \$1,000,000; Mr. Burk, \$375,000; Mr. Ciskey, \$325,000; Mr. Shaw, \$500,000; Mr. Band, \$550,000; and Mr. Caspers, \$500,000.

**Grants of Plan-Based Awards Table**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: # of Shares	All Other Option Awards: # of Securities Options	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Thres-hold (\$)	Target (\$)	Maximum (\$)	Thres-hold (\$)	Target (\$)	Maximum (\$)				
R. Tutor	3/14/2007	781,520	976,900	976,900							
K. Burk	9/1/2007	73,560	91,950	91,950							
	9/26/2007					2,661,000					2,661,000
M. Ciskey	3/14/2007	195,000	243,750	243,750							
C. Shaw	3/14/2007	400,000	500,000	500,000							
R. Band	3/14/2007	430,800	538,500	538,500							
M. Caspers	3/14/2007	386,160	482,700	482,700							

The Non-Equity Incentive Plan is discussed beginning on page 127. These awards were granted in March 2007 (awards to Mr. Burk were granted upon commencement of his employment in September 2007) contingent upon the attainment of 2007 pretax income goals. The related goals were established by the Compensation Committee following consultation with management, and were set at a level that the Compensation Committee believed was achievable with a high level of effort. The goals were met, and the Compensation Committee voted to make the maximum payout according to the plan formula to the above individuals in April 2008.

The Equity Incentive Plan, the 2004 Stock Option and Incentive Plan, is discussed under Long-Term Incentives beginning on page 128. The restricted stock units awarded above are valued at \$53.22, the closing price of our common stock on the measurement date, in accordance with

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FAS123(R). These awards are subject to time-based vesting: 50% vested in January 2008 and 50% is scheduled to vest in January 2009.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End Table**

Name	Options Awards					Stock Awards (1)			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Number of Securities Underlying Unexercised Equity Incentive Plan Awards	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Rights That Have Not Vested (2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested
Ronald N. Tutor				\$			\$	150,000	\$ 6,213,000
Kenneth R. Burk				\$			\$	50,000	\$ 2,071,000
Michael E. Ciskey				\$			\$	30,000	\$ 1,242,600
Craig W. Shaw				\$			\$	150,000	\$ 6,213,000
Robert Band				\$			\$	100,000	\$ 4,142,000
Mark A. Caspers				\$			\$	75,000	\$ 3,106,500

(1) Value is based on the closing market price of \$41.42 on December 31, 2007.

(2) Vesting is scheduled according to the following table:

	Jan. 2008	June 2008	Jan. 2009	Jan. 2010	Total
Ronald N. Tutor		150,000(P)			150,000
Kenneth R. Burk	25,000(T)		25,000(T)		50,000
Michael E. Ciskey	10,000(T)		10,000(T)	10,000(T)	30,000
Craig W. Shaw	50,000(P)		50,000(P)	50,000(P)	150,000
Robert Band	33,333(P)		33,333(P)	33,334(P)	100,000
Mark A. Caspers	25,000(T)		25,000(T)	25,000(T)	75,000

(T) Units are time-vested

(P) Units are performance-vested

**Option Exercises and Stock Vested Table**

Name	Options Awards		Stock Awards	
	Number of Shares Acquired on Exercise (1)	Value Realized on Exercise	Number of Shares Acquired on Vesting (2)	Value Realized on Vesting



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Ronald N. Tutor		150,000	\$ 9,229,500
Kenneth R. Burk			
Michael E. Ciskey			
Craig W. Shaw	50,000		\$ 2,054,200
Robert Band	100,000		\$ 4,700,250
Mark A. Caspers			

- (1) Mr. Shaw exercised options priced at \$4.50/share, and realized market value on our common stock ranging from \$29.42 \$63.89 per share. Mr. Band exercised options priced at \$4.50/share, and realized market value on our common stock ranging from \$39.31 \$73.49 per share. These options exercises and sales were made pursuant to the terms of Rule 10b5-1 trading plans.
- (2) Represents restricted stock units awarded to Mr. Tutor under the 2004 Stock Option and Incentive Plan. Vesting was based 50% on Mr. Tutor s continuing employment as our CEO, and 50% based on the attainment, in the judgment of our Compensation Committee, of certain management succession initiatives. These awards vested June 29, 2007.

**Table of Contents****Pension Benefits for 2007 Fiscal Year**

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit (1)	Payments During Last Fiscal Year
Ronald N. Tutor			\$	\$
Kenneth R. Burk			\$	\$
Michael E. Ciskey	Pension Plan	26	\$ 414,918	\$
Craig W. Shaw	Pension Plan	27	\$ 340,218	\$
	BEP	27	\$ 700,007	
Robert Band	Pension Plan	31	\$ 540,195	\$
	BEP	31	\$ 1,033,599	
Mark A. Caspers	Pension Plan	23	\$ 169,190	\$

(1) Assumes retirement occurs at the later of age 62 or current age, and a discount rate of 6.41%. Based on RP2000 mortality tables, projected to 2006 by Scale AA.

Perini has a defined benefit pension plan that covers its executive, professional, administrative and clerical employees, subject to certain specified service requirements. The plan is noncontributory and benefits are based on an employee's years of service and final average earnings, as defined. The plan provides reduced benefits for early retirement and takes into account offsets for social security benefits. All employees are vested after five years of service. Perini also has an unfunded supplemental retirement plan (the Benefits Equalization Plan, or BEP) for certain employees whose benefits under the defined benefit pension plan were reduced because of compensation limitations under federal tax laws.

The normal retirement benefit under these plans is equal to:

.75% of final average earnings, as defined, not in excess of covered compensation (as defined), multiplied by years of service, up to 25; plus

1.5% of final average earnings, as defined, in excess of covered compensation (as defined), multiplied by years of service, up to 25.

Our plans provide for early retirement upon either the attainment of age 55 and 10 years of service, or the completion of 25 years of service. Accordingly, Mr. Ciskey, Mr. Shaw and Mr. Band are all currently eligible for early retirement benefits. Under our plans, a participant who elects early retirement may elect to receive either an immediate early retirement income equal to 91% of his or her normal retirement benefit or a deferred benefit. Upon the attainment of age 62 and completion of 25 years of service, the participant may receive an unreduced pension equal to his or her normal retirement benefit. A reduced benefit is available for a participant who elects early retirement and wishes to receive benefits prior to age 62.

Effective June 1, 2004, all benefit accruals under Perini's pension plans were frozen; however, the current vested benefits will be preserved. Accordingly, our named executive officers will not earn additional pension benefits, but they may become eligible for an early retirement benefit (which will be based on their frozen normal retirement benefit) based on service after June 1, 2004.

None of our named executive officers have written employment agreements with Perini or any arrangement that provides termination benefits.

**Table of Contents****Director Compensation**

The following table sets forth compensation information for 2007 for each member of our Board.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$ (c))	Option Awards (\$)	Non-Stock Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$ (d))	All Other Compensation (\$)	Total (\$)
Peter Arkley	49,900	49,820					99,720
Robert Band	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Willard W. Brittain, Jr.	63,100	49,820					112,920
James A. Cummings	(b)	(b)		312,500	9,300	355,800	677,600
Robert A. Kennedy	54,100	49,820					103,920
Michael R. Klein	62,400	49,820					112,220
Robert L. Miller	44,500	49,820					94,320
Raymond R. Oneglia	62,400	49,820					112,220
Ronald N. Tutor	(a)	(a)	(a)	(a)	(a)	(a)	(a)

- (a) Mr. Band and Mr. Tutor are named executive officers, whose compensation appears on the Summary Compensation Table. They do not receive director's fees.
- (b) Mr. Cummings was the CEO of James A. Cummings Inc., a wholly owned subsidiary of Perini until his retirement in January 2008. He is not a named executive officer, and so is not included in the Summary Compensation Table. His remuneration for his role as CEO of James A. Cummings Inc. is reflected in the table above. All Other Compensation includes salary (\$312,500), use of company vehicle (\$14,700), club memberships (\$15,700) and life insurance premiums (\$3,900), along with his 401(k) match (\$9,000). Mr. Cummings did not receive director's fees. He resigned from the Board in December 2007 in anticipation of his retirement from Perini in January 2008.
- (c) Based on closing price of \$49.82 on the grant date, May 17, 2007.
- (d) See note (3) to Summary Compensation Table. The change in pension value attributable to the change in retirement age assumption is \$9,100 for Mr. Cummings.

Our Compensation Committee determines the level of compensation to be paid to our Board. Periodically, this committee reviews the functions being performed by the Board and its committees, as well as the board compensation paid by similar companies, in order to determine whether an adjustment should be made.

Fees for our outside directors consist of an annual retainer fee of \$40,000, payable in cash or common stock at each director's option, plus 1,000 shares of common stock. Fees paid in company stock are included in the Stock Awards column above. Directors also receive \$900 per Board meeting attended in person and \$300 per meeting attended telephonically. Members of the Audit Committee receive \$2,000 per meeting attended in person and \$500 per meeting attended telephonically. The Audit Committee Chair receives an additional annual retainer of \$10,000. In May 2008, the Compensation Committee voted to increase the annual retainer fee from \$40,000 to \$80,000 based on a review of other public companies' board compensation as well as a recognition of recent and continuing growth of Perini. All other components of Board compensation remained unchanged.

Ronald N. Tutor, our chairman and chief executive officer, does not receive director fees because he is party to a management agreement described in Certain Relationships and Related Party Transactions and Director Independence.

No directors had outstanding stock options at December 31, 2007.

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### **Director and Officer Indemnification**

Our amended and restated articles of organization provide that no director shall be personally liable to us or to our shareholders for monetary damages for breach of fiduciary duty as a director, except for liability for any breach of the director's duty of loyalty to us or our shareholders, for acts or omissions not in good faith, for acts or omissions involving intentional misconduct or a knowing violation of law or for any transaction from which the director derived an improper personal benefit. Our bylaws provide that our directors and officers will be indemnified against liabilities that arise from their service as directors and officers, subject to certain exceptions. We have obtained insurance which insures our directors and officers against certain losses and which insures us against our obligations to indemnify our directors and officers.

### **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

We have adopted the Code of Business Conduct and Ethics for all executive officers, directors and employees that addresses potential conflict of interest situations, including related party transactions. Under this policy, any questions are required to be directed to our chief compliance officer, and suspected violations are required to be reported to the chief compliance officer or the Chair of the Audit Committee. In addition, our Audit Committee is responsible for reviewing and evaluating potential transactions with related parties, and then advising the Board whether such transactions are appropriate.

The transactions described below were reviewed and approved by the Audit Committee in accordance with our policies. In addition, we believe that the transactions described below were on terms that were at least as favorable to us as we would have expected to negotiate with other unaffiliated third parties at the point in time these transactions were consummated.

#### **Tutor-Saliba Management Agreement**

In January 1997, we entered into a management agreement with Tutor-Saliba and Ronald N. Tutor, chief executive officer and primary beneficial owner of Tutor-Saliba, to provide certain management services. The management agreement has been renewed annually by our Compensation Committee, which consists entirely of independent directors, under the same basic terms and conditions as the initial agreement except that the amount of the fee payable thereunder by us to Tutor-Saliba has been increased. In March 2007, the Compensation Committee voted to increase the annual payment to \$1,000,000.

#### **Joint Ventures**

*Tutor-Saliba Joint Ventures.* Historically, we have participated in joint ventures with Tutor-Saliba and currently participate in certain joint ventures with them. Some of these joint venture projects have been managed by Tutor-Saliba and others have been managed by us. These joint ventures generated total revenues of \$96.0 million in 2007 of which our share contributed \$70.6 million to our consolidated revenues for the year ended December 31, 2007.

*O&G Joint Ventures.* We also have participated in certain joint ventures with O&G Industries, Inc., of which Raymond R. Oneglia, one of our directors, is vice chairman of the board of directors. These joint ventures generated total revenues of \$4.4 million in 2007 of which our share contributed \$3.1 million to our consolidated revenues for the year ended December 31, 2007.

#### **Subcontractor**

In January 2008 Tutor-Saliba acquired a plumbing contractor which at the time of such acquisition had subcontracts with Perini totaling approximately \$63.7 million. This acquisition was not reviewed by our Audit Committee because it occurred prior to the merger.

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**Merger Agreement and Related Transactions**

The merger and the related transactions and agreements were recommended to the Board by the Special Committee, which included only independent and disinterested directors. They were then approved by the full Board (with Mr. Tutor not participating or voting).

As described in this proxy statement, on April 2, 2008, we entered into the Merger Agreement with Tutor-Saliba, pursuant to which Tutor-Saliba will merge with and into one of our wholly owned subsidiaries. Mr. Tutor, our chairman and chief executive officer, is the chairman and chief executive officer of Tutor-Saliba. Two trusts that he controls own 96% of the outstanding capital stock of Tutor-Saliba. As described above, Mr. Tutor has various interests in this transaction that are different from other Perini shareholders. For a detailed discussion of the terms of the Merger Agreement, the Shareholders Agreement and the Employment Agreement and Mr. Tutor's interests in this transaction please see Additional Interests of Directors, Executive Officers and Certain Beneficial Owners beginning on page 65, The Merger Agreement beginning on page 68, The Shareholders Agreement beginning on page 81 and The Employment Agreement beginning on page 83.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

No member of the Compensation Committee has served as one of our officers or employees at any time. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board or compensation committee of any entity that has one or more executive officers serving on our board of directors or Compensation Committee.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers (as defined in regulations issued by the SEC) and directors, and persons who own more than ten percent of a registered class of Perini's equity securities (collectively, Insiders), to file initial reports of ownership and reports of changes in ownership of our common stock (including options and warrants to acquire common stock) with the SEC. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such reports of ownership received by us and certifications from our Executive Officers and Directors, we believe that during fiscal year 2007 all filing requirements applicable to our Insiders were met.

**Table of Contents****OWNERSHIP OF COMMON STOCK BY DIRECTORS, EXECUTIVE OFFICERS AND****PRINCIPAL SHAREHOLDERS**

The following table sets forth certain information concerning beneficial ownership as of June 30, 2008 of our common stock by each Director; each Executive Officer named in the summary compensation table; all Directors and Executive Officers as a Group; and all persons we know to hold in excess of 5% of our common stock.

In preparing the following table, we relied upon statements filed with the SEC by beneficial owners of more than 5% of the outstanding shares of our common stock pursuant to Section 13(d) or 13(g) of the Exchange Act, unless we knew or had reason to believe that the information contained in such statements was not complete or accurate, in which case we relied upon information which we considered to be accurate and complete. Unless otherwise indicated, the address of each of the individuals and entities named below is: c/o Perini Corporation, 73 Mt. Wayte Avenue, Framingham, Massachusetts 01701.

Name and Address	Shares of Common Stock Beneficially Owned on June 30, 2008	
	(1) (2) Number	Percent
<b>Directors and executive officers:</b>		
Ronald N. Tutor	150,000	**
Michael R. Klein	106,031	**
Robert L. Miller	78,736	**
Craig W. Shaw	32,120	**
Mark A. Caspers	30,887	**
Robert Band	24,212	**
Kenneth R. Burk	16,887	**
Raymond R. Oneglia	14,736	**
Willard W. Brittain, Jr.	11,036(3)	**
Peter Arkley	8,408	**
Robert A. Kennedy	3,500	**
Michael E. Ciskey		**
Marilyn A. Alexander		
Donald D. Snyder		
All Directors and Executive Officers as a Group (14 persons)	476,553	1.74%
<b>Beneficial Ownership of 5% or More</b>		
Jeffrey L. Gendell	2,030,860(4)	7.43%
State Street Bank and Trust Company	1,692,264(5)	6.19%
Mutuelle AXA	1,460,341(6)	5.34%
Barclays Global Investors N.A.	1,383,729(7)	5.06%
Total beneficial owners of more than 5% of Perini Common Stock	6,567,194	24.03%

\*\* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock and options or warrants that are currently exercisable or exercisable within 60 days of May 1, 2008 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(2) Based on 27,328,927 shares of common stock outstanding as of June 30, 2008.



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- (3) Includes 1,600 shares held by a partnership in which Mr. Brittain is a 57.3% owner.
- (4) Based on information contained in a Schedule 13G filed on January 22, 2008 by Tontine Capital Partners, L.P., Tontine Capital Management, L.L.C., Tontine Overseas Associates, L.L.C., and Jeffrey L. Gendell, the address of each of which is 55 Railroad Avenue, Greenwich, Connecticut 06830. Includes 1,697,961 shares owned by Tontine Capital Partners, L.P. ( TCP ), and 332,899 shares owned by Tontine Capital Overseas Master Fund, L.P. ( TCO ). Tontine Overseas Associates, L.L.C., a limited liability company organized under the laws of the State of Delaware ( TOA ), serves as investment manager to TCO with respect to the shares of Common Stock directly owned by TCO. Tontine Capital Management, L.L.C., the general partner of TCP, has the power to direct the affairs of TCP, including decisions respecting the disposition of the proceeds from the sale of the shares of the Company. Mr. Gendell is the managing member of TCM and TOA, and in that capacity directs their operations. Each of the clients of TOA has the power to direct the receipt of dividends from or the proceeds of sale of such shares.
- (5) Based on information contained in a Schedule 13G filed on May 5, 2008 (for the period ending March 31, 2008) by State Street Bank and Trust Company, the address for which is State Street Financial Center, One Lincoln Street, Boston, MA 02111.
- (6) Based on information contained in a Schedule 13G filed on February 14, 2008 by AXA Financial, Inc., AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurances Mutuelle and AXA, the address for all of which is 1290 Avenue of the Americas, New York, NY 10104. Includes 567,569 shares owned by entities controlled by the Mutuelles AXA, including 544,669 shares owned by AXA Rosenberg Investment Management LLC and 21,400 shares owned by Alliance Bernstein, and 1,460,341 shares held by unaffiliated third-party client accounts managed by Alliance Capital Management L.P., as investment adviser. Alliance Capital Management L.P. is a majority-owned subsidiary of AXA Financial, Inc., which is controlled by Mutuelles AXA.
- (7) Based on the most recent publicly available data according to Thomson Financial. The address for Barclays Global Investors N.A. is 45 Fremont St., San Francisco, CA 94105.



**Table of Contents****PROPOSAL 4: RATIFICATION OF APPOINTMENT OF AUDITORS**

Our Audit Committee has selected the firm of Deloitte & Touche LLP, independent registered public accounting firm, as our auditors for the fiscal year ending December 31, 2008. Although shareholder approval of the selection of Deloitte & Touche LLP is not required by law, our board of directors believes that it is advisable to give shareholders an opportunity to ratify this selection. If this proposal is not approved by our shareholders at the 2008 annual meeting, our Audit Committee will reconsider their selection of Deloitte & Touche LLP.

Representatives of Deloitte & Touche LLP will be present at the annual meeting, will have the opportunity to make a statement if they so desire and will be available to answer appropriate questions.

**FEES PAID TO AUDIT FIRM**

During the years ended December 31, 2007 and 2006, we retained Deloitte & Touche LLP to provide services in the following categories and amounts:

	<b>2007</b>	<b>2006</b>
Audit Fees	\$ 1,858,443	\$ 1,478,550
Audit Related Fees	\$ 108,600	\$ 108,700
Tax Fees	\$	\$ 7,808
Total Fees	\$ 1,967,043	\$ 1,595,058

The Audit Committee has considered the nature of the tax services provided by Deloitte & Touche LLP in 2006 and concluded they are compatible with maintaining the auditors' independence.

***THE PERINI BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE SELECTION OF DELOITTE & TOUCHE LLP AS INDEPENDENT AUDITORS FOR PERINI FOR THE FISCAL YEAR ENDING DECEMBER 31, 2008.***

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**PROPOSAL 5: APPROVAL OF THE PLAN AMENDMENT**

**Discussion**

The Perini board of directors has approved an increase in the number of shares authorized for issuance under our 2004 Stock Option and Incentive Plan (the 2004 Plan ) from 3 million to 5.5 million.

The Perini board of directors determined that it was in the best interests of Perini and our shareholders to increase the number of shares available for issuance of awards under the 2004 Plan to permit the grant of long-term incentive awards under the 2004 Plan to a larger group of executives and key employees, who will be responsible for a substantially larger business, if the merger is completed. The board of directors also took into account that the total number of shares of Perini common stock that will be outstanding upon completion of the merger will be approximately [ ] (as compared to approximately [ ] as of [ ], 2008). Currently, the 2004 Plan as approved by the shareholders provides for the issuance of approximately 3 million shares of Perini common stock. Of this amount, awards covering a total of [ ] shares have been granted. Of this amount, awards covering a total of [ ] shares have been forfeited and a total of [ ] shares remain available for future grants.

Based on the increase in the number of employees, the increase in the size of the business and the number of shares of Perini common stock that will be issued and outstanding immediately following the completion of the merger, the Perini board of directors has recommended that the 2004 Plan be amended to provide for the grant of awards covering a total of up to 5.5 million shares of Perini common stock, representing an increase of 2.5 million shares. If this amendment is approved, there would be a total 5.5 million shares of Perini common stock available for grant pursuant to awards under the 2004 Plan.

The Perini board of directors has determined that this amendment, even if approved by the Perini shareholders, will not be implemented unless the merger is completed.

**Summary Description of 2004 Plan**

The following summary of the principal terms of the 2004 Plan is qualified in its entirety by reference to the full text of the plan attached as *Annex G* to this proxy statement.

*2004 Plan Administration.* The 2004 Plan provides for administration by the Compensation Committee of the Board of Directors (the Administrator ). The Administrator has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2004 Plan. The Administrator may permit common stock, and other amounts payable pursuant to an award, to be deferred. In such instances, the Administrator may permit interest, dividends or deemed dividends to be credited to the amount of deferrals. In addition, the Administrator may not reprice outstanding options, other than to appropriately reflect changes in the capital structure of Perini.

*Eligibility and Limitations on Grants.* All full-time and part-time officers, employees, non-employee directors and other key persons of Perini and its subsidiaries are eligible to participate in the 2004 Plan, subject to the discretion of the Administrator.

The maximum award of stock options or stock appreciation rights granted to any one individual will not exceed 200,000 shares of common stock (subject to adjustment for stock splits and similar events) for any calendar year period. If any award of restricted stock or deferred stock granted to an individual is intended to qualify as performance based compensation under Section 162(m) of the Internal Revenue Code, then the maximum award shall not exceed 200,000 shares of common stock (subject to adjustment for stock splits and similar events) to any one such individual in any performance cycle.

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*Stock Options.* Options granted under the 2004 Plan may be either incentive stock options (within the meaning of Section 422 of the Internal Revenue Code) or non-qualified stock options. Incentive options may be granted only to employees of Perini or any subsidiary. Options granted under the 2004 Plan will be non-qualified options if they (i) fail to qualify as incentive options, (ii) are granted to a person not eligible to receive incentive options under the Internal Revenue Code, or (iii) otherwise so provide. Non-qualified options may be granted to any persons eligible to receive incentive stock options and to non-employee directors and other key persons.

*Other Option Terms.* The Administrator has authority to determine the terms of options granted under the 2004 Plan. Generally, options are granted with an exercise price that is not less than the fair market value of the shares of common stock on the date of the option grant, except for options that are granted in lieu of cash compensation.

The term of each option will be fixed by the Administrator and may not exceed ten years from the date of grant. The Administrator will determine at what time or times each option may be exercised and, subject to the provisions of the 2004 Plan, the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments, and the exercisability of options may be accelerated by the Administrator. In general, unless otherwise permitted by the Administrator, no option granted under the 2004 Plan is transferable by the optionee other than by will or by the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee, or by the optionee's legal representative or guardian in the case of the optionee's incapacity.

Options granted under the 2004 Plan may be exercised for cash or by transfer to Perini (either actually or by attestation) of shares of common stock that are not then subject to restrictions under any Perini stock plan, and that have been held by the optionee for at least six months or were purchased on the open market, and that have a fair market value equivalent to the option exercise price of the shares being purchased. Subject to applicable law, options granted under the 2004 Plan also may be exercised by compliance with certain provisions pursuant to which a securities broker delivers the purchase price for the shares to us.

To qualify as incentive options, options must meet additional requirements under the Internal Revenue Code, including a \$100,000 limit on the value of shares subject to incentive options which first become exercisable in any one calendar year, and a shorter term and higher minimum exercise price in the case of certain large stockholders.

*Stock Appreciation Rights.* The Administrator may award a stock appreciation right either as a freestanding award or in tandem with a stock option. Upon exercise of the stock appreciation right, the holder will be entitled to receive an amount equal to the excess of the fair market value on the date of exercise of one share of common stock over the exercise price of the stock appreciation right (or more than the option exercise price per share if such stock appreciation right was granted in tandem with a stock option) times the number of shares of common stock with respect to which the stock appreciation right is exercised. This amount may be paid in cash, in shares of common stock, or a combination of cash and common stock, as determined by the Administrator. The exercise price per share of stock appreciation rights may not be less than 100% of the fair market value of the shares of common stock on the date of grant.

*Restricted Stock Awards.* The Administrator may grant shares, at a purchase price (which may be zero) determined by the Administrator, of common stock to any participant subject to such conditions and restrictions as the Administrator may determine. These conditions and restrictions may include the achievement of pre-established performance goals and/or continued employment with Perini through a specified vesting period. The vesting period shall be determined by the Administrator. However, in the event these awards have a performance-based goal, the restriction period will be at least one year, and in the event these awards have a time-based restriction, the restriction period will be at least three years. If the applicable performance goals and other restrictions are not attained, the participant will forfeit his or her award of restricted stock.

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*Unrestricted Stock Awards.* The Administrator may also grant shares (at par value or a higher purchase price determined by the Administrator) of common stock that are free from any restrictions under the 2004 Plan. Unrestricted stock may be granted to any participant in recognition of past services or other valid consideration, and may be issued in lieu of cash compensation due to such participant.

*Deferred Stock Awards.* The Administrator also may award phantom stock units as deferred stock awards to participants. The deferred stock awards are ultimately payable in the form of shares of common stock and may be subject to such conditions and restrictions as the Administrator may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with Perini through a specified vesting period. However, in the event these awards have a performance-based goal, the restriction period will be at least one year, and in the event these awards have a time-based restriction, the restriction period will be at least three years. During the deferral period, subject to terms and conditions imposed by the Administrator, the deferred stock awards may be credited with dividend equivalent rights (discussed below). Subject to the consent of the Administrator, a participant may make an advance election to receive a portion of his or her compensation or restricted stock award otherwise due in the form of a deferred stock award.

*Dividend Equivalent Rights.* The Administrator may grant dividend equivalent rights that entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of common stock. Dividend equivalent rights may be granted as a component of another award or as a freestanding award. Dividend equivalent rights credited under the 2004 Plan may be paid currently or be deemed to be reinvested in additional shares of common stock, that may thereafter accrue additional dividend equivalent rights at fair market value at the time of deemed reinvestment or on the terms then governing the reinvestment of dividends under our dividend reinvestment plan, if any. Dividend equivalent rights may be settled in cash, shares of common stock or a combination thereof, in a single installment or installments, as specified in the award.

*Tax Withholding.* Participants under the 2004 Plan are responsible for the payment of any federal, state or local taxes that we are required by law to withhold upon any option exercise or vesting of any awards. Subject to approval by the Administrator, participants may elect to have the minimum tax withholding obligations satisfied either by authorizing us to withhold shares of common stock to be issued pursuant to an option exercise or other award, or by transferring to us shares of common stock having a value equal to the amount of such taxes.

*Adjustments for Stock Dividends, Mergers, etc.* The Plan authorizes the Administrator to make appropriate adjustments to the number of shares of common stock that are subject to the 2004 Plan and to any outstanding awards to reflect any reorganization, recapitalization, reclassification, stock dividends, stock splits and other similar change in the common stock. In the event of certain transactions, such as a merger, consolidation, dissolution, sale of assets, liquidation of Perini or certain other sale events, all stock options and stock appreciation rights will automatically become fully exercisable and the restrictions and conditions on all other stock based awards will automatically be deemed waived. In addition, upon the effective time of any such transaction, the 2004 Plan and all awards will terminate unless the parties to the transaction, in their discretion, provide for appropriate substitutions or adjustments of outstanding stock options or other awards.

*Amendments and Termination.* Our board of directors may at any time amend or discontinue the 2004 Plan and the Administrator may at any time amend or cancel any outstanding award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect the rights under any outstanding awards without the holder's consent. Any amendments that materially change the terms of the 2004 Plan, including any amendments that increase the number of shares reserved for issuance under the 2004 Plan, expand the type of awards available, materially expand the eligibility to participate or materially extend the term of the 2004 Plan, or materially change the method of determining Fair Market Value, will be subject to approval by our Stockholders. To the extent required by the Internal Revenue Code to ensure that options granted under the 2004 Plan qualify as incentive options or that compensation earned under awards granted under the 2004 Plan qualify as performance-based compensation under the Internal Revenue Code, Plan amendments shall be subject to approval by our stockholders.

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The following table sets forth grants of stock options received under the 2004 Plan during the calendar year ended December 31, 2007 by (i) the named executive officers, (ii) all current executive officers as a group, (iii) all current directors who are not executive officers as a group, and (iv) all employees, who are not executive officers, as a group. The granting of options is discretionary with the Compensation Committee, and the benefits to be received by the individuals and classes listed in the table are not determinable.

Name and Position	Dollar Values (\$)	No. of Restricted Stock Awards Granted
Ronald N. Tutor, Chief Executive Officer		
Kenneth R. Burk, Chief Financial Officer		
Michael E. Ciskey, Senior VP of Civil Construction		
Craig W. Shaw, Chief Executive Officer of Perini West		
Robert Band, Chief Operating Officer		
Mark A. Caspers, President of Perini Building Company		
All current executive officers as a group (14 persons)		
All Current Directors who are not executive officer as a group (8 persons) <sup>1</sup>		
All employees, including all current officers who are not executive officers, as a group		

(1) Includes director nominees.

The following table sets forth grants of shares of restricted stock received under the 2004 Plan during the calendar year ended December 31, 2007 by (i) the named executive officers, (ii) all current executive officers as a group, (iii) all current directors who are not executive officers as a group, and (iv) all employees, who are not executive officers, as a group. The granting of restricted stock is discretionary with the Compensation Committee, and the benefits to be received by the individuals and classes listed in the table are not determinable.

Name and Position	Dollar Value \$	No. of Restricted Stock Awards Granted
Ronald N. Tutor, Chief Executive Officer		
Kenneth R. Burk, Chief Financial Officer	2,661,000	50,000
Michael E. Ciskey, Senior VP of Civil Construction		
Craig W. Shaw, Chief Executive Officer Perini Building Company		
Robert Band, Chief Operating Officer		
Mark A. Caspers, President of Perini Building Company		
All current executive officers as a group (14 persons)	2,661,000	50,000
All Current Directors who are not executive officer as a group (8 persons) <sup>1</sup>		
All employees, including all current officers who are not executive officers, as a group		

(1) Includes director nominees.

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The following table sets forth grants of deferred stock awards received under the 2004 Plan during the calendar year ended December 31, 2007 by (i) the named executive officers, (ii) all current executive officers as a group, (iii) all current directors who are not executive officers as a group, and (iv) all employees, who are not executive officers, as a group. The granting of deferred stock awards is discretionary with the Compensation Committee, and the benefits to be received by the individuals and classes listed in the table are not determinable.

Name and Position	Dollar Values (\$)	No. of Restricted Stock Awards Granted
Ronald N. Tutor, Chief Executive Officer		
Kenneth R. Burk, Chief Financial Officer		
Michael E. Ciskey, Senior VP of Civil Construction		
Craig W. Shaw, Chief Executive Officer of Perini West		
Robert Band, Chief Operating Officer		
Mark A. Caspers, President of Perini Building Company		
All current executive officers as a group (14 persons)		
All Current Directors who are not executive officer as a group (8 persons) <sup>1</sup>		
All employees, including all current officers who are not executive officers, as a group		

(1) Includes director nominees.

**Board Recommendation**

***THE PERINI BOARD OF DIRECTORS APPROVED THE ADOPTION OF THE AMENDMENT TO THE 2004 PLAN TO INCREASE THE NUMBER OF AUTHORIZED SHARES FROM 3 MILLION TO 5.5 MILLION AND RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT TO THE 2004 PLAN.***

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**PROPOSAL 6: ADJOURNMENT OR POSTPONEMENT OF THE ANNUAL MEETING**

**Discussion**

We propose to approve the adjournment or postponement of the annual meeting by the Perini shareholders if necessary to solicit additional proxies or as otherwise necessary.

**Board Recommendation**

***THE PERINI BOARD OF DIRECTORS RECOMMENDS THAT THE PERINI SHAREHOLDERS VOTE FOR THE ADJOURNMENT OR POSTPONEMENT OF THE ANNUAL MEETING IF NECESSARY TO SOLICIT ADDITIONAL PROXIES OR AS OTHERWISE NECESSARY.***

**SHAREHOLDER PROPOSALS FOR 2009 ANNUAL MEETING**

Any proposal of a shareholder submitted pursuant to Exchange Act Rule 14a-8 for inclusion in Perini's proxy statement and form of proxy for its 2009 annual meeting of shareholders must be received by Perini on or before [ ] in order to be considered for inclusion in its proxy statement and form of proxy. Such proposals must comply with the requirements as to form and substance established by the SEC if such proposals are to be included in the proxy statement and form of proxy. Any such proposal should be mailed to: Perini Corporation, 73 Mt. Wayte Avenue, Framingham, Massachusetts 01701-9160, Attn: Corporate Secretary.

Perini's bylaws require that Perini be given advance written notice of matters that shareholders wish to present for action at an annual meeting of shareholders (other than matters included in Perini's proxy materials in accordance with Rule 14a-8 under the Exchange Act). Any proposal of a shareholder intended to be presented at Perini's 2009 annual meeting of shareholders, other than shareholder proposals submitted pursuant to Exchange Act Rule 14a-8, must be received by us not earlier than [ ], nor later than [ ]. If a shareholder fails to provide timely notice of a proposal to be presented at the 2009 annual meeting, the proxies designated by the Perini board of directors will have discretionary authority to vote on any such proposal that may come before the meeting. In addition, shareholder proposals must comply with the requirements of our bylaws. Any such proposal should be mailed to: Perini Corporation, 73 Mt. Wayte Avenue, Framingham, Massachusetts 01701-9160, Attn: Corporate Secretary.

Please see Nominations for Director for a description of the requirements for submitting a candidate for nomination as a director at the 2009 annual meeting of shareholders.

**OTHER MATTERS**

The board of directors knows of no other matters that are likely to be brought before the meeting. However, if any other matters of which the board of directors is not aware are presented to the meeting for action, it is the intention of the persons named in the accompanying form of proxy to vote said proxy in accordance with their judgment on such matters.

Perini will bear the cost of solicitation of proxies. The solicitation of proxies by mail may be followed by telephone or oral solicitation of certain shareholders and brokers.

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**HOUSEHOLDING OF ANNUAL MEETING MATERIALS**

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement or annual report may have been sent to multiple shareholders in your household. We will promptly deliver a separate copy of either document to you if you call or write us at the following address or telephone number: Perini Corporation, 73 Mt. Wayte Avenue, Framingham, MA 01701, Attention: Susan C. Mellace, Secretary, (508) 628-2000. If you want to receive separate copies of the annual report and proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address and telephone number.

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

Perini files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements or other information that we file with the SEC at the following location of the SEC:

Public Reference Room

100 F. Street, N.E.

Washington, D.C. 20549

**Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also obtain copies of reports, proxy statements or other information concerning us, including any document incorporated by reference in this proxy statement, without charge, by written or telephonic request directed to us at Perini Corporation, 73 Mt. Wayte Avenue, Framingham, MA 01701, Attention: Susan C. Mellace, Corporate Secretary, (508) 628-2000. If you would like to request documents, please do so by [ ], 2008, in order to receive them before the annual meeting.**

**INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference into this proxy statement documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this proxy statement, and later information that we file with the SEC will update and supersede that information. We incorporate by reference the documents listed below and any documents filed pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement and prior to the date of the annual meeting:

**Company Filings:**

Annual Reports on Forms 10-K and 10-K/A  
Quarterly Report on Form 10-Q  
Current Reports on Form 8-K

**Period (if applicable):**

Year ended December 31, 2007  
Quarter ended March 31, 2008  
Filed April 2, 2008; April 3, 2008; April 7, 2008;

May 19, 2008 and June 30, 2008



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**PROXIES AND VOTING PROCEDURES**

If you are a shareholder of record, you may vote your shares over the Internet at [www.investorvote.com/PCR](http://www.investorvote.com/PCR) or telephonically 1-800-652-VOTE (1-800-652-8683) or by following the instructions on the enclosed proxy card. Proxies submitted via the Internet or by telephone must be received by 2:00 a.m. eastern time on [ ], 2008.

If the shares you own are held in street name by a bank or brokerage firm, your bank or brokerage firm will provide a vote instruction form to you with this proxy statement, which you may use to direct how your shares will be voted. Many banks and brokerage firms also offer the option of voting via the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your vote instruction form.

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Annex A

EXECUTION VERSION

**AGREEMENT AND PLAN OF MERGER**

**BY AND AMONG**

**PERINI CORPORATION,**

**TRIFECTA ACQUISITION LLC,**

**TUTOR-SALIBA CORPORATION,**

**RONALD N. TUTOR**

**AND**

**SHAREHOLDERS OF TUTOR-SALIBA CORPORATION**

**DATED AS OF APRIL 2, 2008**

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**AGREEMENT AND PLAN OF MERGER**

THIS AGREEMENT AND PLAN OF MERGER, dated as of April 2, 2008 (this Agreement ), is entered into by and among **Perini Corporation**, a Massachusetts corporation ( Parent ), **Trifecta Acquisition LLC**, a California limited liability company and a wholly-owned subsidiary of Parent ( Merger Sub ), **Tutor-Saliba Corporation**, a California corporation ( the Company ), **Ronald N. Tutor**, a resident of California and a trustee under each of the Controlling Trusts (as defined below) (in the capacity as Shareholder Representative as provided in Section 6.15 or in any other capacity contemplated hereby, the Shareholder Representative ), and shareholders of the Company signatory hereto (including the Shareholder Representative, each a Signatory Shareholder and collectively, the Signatory Shareholders ), with each holder of Company Common Stock (as defined below) set forth on Exhibit A hereto (including the Shareholder Representative, each a Shareholder and collectively, the Shareholders ) to become a Signatory Shareholder in accordance with Section 6.18. Parent, Merger Sub, the Company and the Signatory Shareholders are referred to herein each individually as a Party and collectively as the Parties . All capitalized terms used in this Agreement shall have the respective meanings ascribed thereto in Article X.

**RECITALS**

**WHEREAS**, the board of directors of Parent (the Parent Board ), acting upon the recommendation of a special committee of independent directors thereof (the Special Committee ), and the respective boards of directors of Merger Sub and the Company have each determined that it is in the best interests of their respective shareholders or members, as appropriate, to enter into a business combination transaction;

**WHEREAS**, Parent, Merger Sub and the Company intend to effect a merger of the Company with and into Merger Sub (the Merger ), with Merger Sub to be the surviving entity of the Merger and a wholly-owned Subsidiary of Parent, on the terms and subject to the conditions set forth herein and in accordance with the General Corporation Law of the State of California and the Limited Liability Company Act of the State of California (collectively, the CGCL );

**WHEREAS**, the board of directors of Parent, acting upon the recommendation of the Special Committee, and the respective boards of directors of Merger Sub and the Company have each (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, are advisable, fair to and in the best interests of their respective shareholders or members, as appropriate, and (ii) approved this Agreement and the transactions contemplated hereby, including the Merger, on the terms and subject to the conditions set forth herein;

**WHEREAS**, as a condition to the Company's willingness to enter into this Agreement, simultaneously with or immediately after the execution and delivery of this Agreement, Parent, as the sole member of Merger Sub, is executing and delivering or will execute and deliver an unconditional unanimous written consent to the approval of this Agreement and the transactions contemplated hereby, including the Merger;

**WHEREAS**, as a condition to Parent's and Merger Sub's willingness to enter into this Agreement, simultaneously with or immediately after the execution and delivery of this Agreement, the Shareholders, who collectively own all of the issued and outstanding capital stock of the Company, are executing and delivering or will execute and deliver an unconditional unanimous written consent to the approval of this Agreement and the transactions contemplated hereby, including the Merger, substantially in the form attached as Annex A hereto (the Company Shareholder Written Consent );

**WHEREAS**, as a condition to Parent's and Merger Sub's willingness to enter into this Agreement, simultaneously with the execution and delivery of this Agreement, Parent and the Signatory Shareholders party hereto on the date hereof are entering into the Shareholders Agreement in the form attached as Annex B hereto

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(the Shareholders Agreement ), with all other Shareholders other than the Signatory Shareholders party hereto on the date hereof to become a party thereto in accordance with Section 6.18, which Shareholders Agreement shall become effective upon the closing of the Merger;

**WHEREAS**, as a condition to Parent s and Merger Sub s willingness to enter into this Agreement, simultaneously with the execution and delivery of this Agreement, Parent and the Shareholder Representative are entering into the Employment Agreement in the form attached as Annex C hereto (the Employment Agreement ), which Employment Agreement shall become effective upon the closing of the Merger;

**WHEREAS**, for United States federal income tax purposes, Parent, Merger Sub, the Company and the Shareholders intend that the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Code; and

**WHEREAS**, Parent, Merger Sub, the Company and the Shareholders desire to make certain representations, warranties, covenants and agreements in connection with, and to prescribe various conditions to, the Merger and the other transactions contemplated hereby.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Parent, Merger Sub, the Company and the Shareholders hereby agree as follows:

**ARTICLE I**

**THE MERGER; ALTERNATIVE STRUCTURE**

1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement and the applicable provisions of the CGCL, at the Effective Time, the Company shall be merged with and into Merger Sub, the separate corporate existence of the Company shall thereupon cease, and Merger Sub shall continue as the surviving entity of the Merger. Merger Sub, as the surviving entity of the Merger, is sometimes hereinafter referred to as the Surviving Entity .

1.2 Closing. The consummation of the Merger (the Closing ) shall take place at a closing to occur at the offices of Kirkland & Ellis LLP located at 655 Fifteenth Street, N.W., Washington, D.C. 20005 at 10:00 a.m. (local time) on the third (3rd) Business Day after the satisfaction or waiver (to the extent permitted hereunder) of the conditions set forth in Article VII hereof (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver (to the extent permitted hereunder) of such conditions), or at such other location, date and time as Parent and the Company shall mutually agree upon in writing (the date upon which the Closing shall actually occur pursuant hereto being referred to herein as the Closing Date ).

1.3 Effective Time. Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date, Parent, Merger Sub and the Company shall cause the Merger to be consummated in accordance with the CGCL by filing a certificate of merger in customary form and substance (the Certificate of Merger ) with the Secretary of State of the State of California (the California Secretary of State ) in accordance with the applicable provisions of the CGCL (the time of such filing and acceptance by the California Secretary of State, or such later time as may be agreed in writing by Parent and the Company and specified in the Certificate of Merger, being referred to herein as the Effective Time ).

1.4 Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of the CGCL. Without limiting the generality of the foregoing, and



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subject thereto, at the Effective Time, all rights and property of the Company and Merger Sub shall vest in the Surviving Entity, and all debts and liabilities of the Company and Merger Sub shall become the debts and liabilities of the Surviving Entity.

1.5 Surviving Entity Organizational Documents. At the Effective Time, the articles of organization and operating agreement of Merger Sub, as in effect immediately prior to the Effective Time, shall be the articles of organization and operating agreement of the Surviving Entity until thereafter amended in accordance with Applicable Law and such articles of organization and operating agreement; provided, however, that, at the Effective Time, the articles of organization of the Surviving Entity shall be amended so that the name of the Surviving Entity shall be Tutor-Saliba LLC .

1.6 Surviving Entity Members. At the Effective Time, the initial members of the Surviving Entity shall be the members of Merger Sub immediately prior to the Effective Time, each to hold office in accordance with the articles of organization and any operating agreement of the Surviving Entity until his or her respective successor is duly elected or appointed and qualified. In order to effectuate the foregoing, the Company and each of the Shareholders shall use its commercially reasonable efforts to procure, in connection with the Closing, the resignation of each of the Company's directors to be effective immediately prior to the Effective Time.

1.7 Conversion of Company Shares. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, the Company or the holders of any of the following securities (including the Shareholders), the following shall occur:

(a) Membership Interests of Merger Sub. Each membership interest of Merger Sub that is issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive one membership interest of the Surviving Entity, so that at the Effective Time, Parent shall be the holder of all of the issued and outstanding membership interests of the Surviving Entity. Each certificate evidencing ownership of such membership interests of Merger Sub shall cease to have any rights with respect thereto except that thereafter it shall evidence ownership of a membership interest of the Surviving Entity.

(b) Owned Company Common Stock. Each share of common stock, no par value per share, of the Company (the Company Common Stock ) owned by Parent or any other direct or indirect, wholly-owned Subsidiary of Parent or the Company immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be automatically canceled and retired and shall cease to exist, and no payment or other consideration shall be made with respect thereto.

(c) Conversion of Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than those shares cancelled and retired pursuant to Section 1.7(b) or any Dissenting Shares) shall, by virtue of the Merger and without any action on the part of the holder thereof, be automatically canceled and retired and shall cease to exist and shall be converted into the right to receive a number of duly authorized, validly issued, fully paid and nonassessable shares of common stock, par value \$1.00 per share, of Parent (the Parent Common Stock ) equal to the quotient (the Exchange Ratio ) obtained by dividing (A) 22,987,293 shares of Parent Common Stock by (B) the Outstanding Common Stock Number (the shares of Parent Common Stock issuable pursuant to this Section 1.7(c), collectively, the Parent Shares ). Set forth on Exhibit A hereto is a calculation of the aggregate Parent Shares to be issuable to each Shareholder as a result of the cancellation, retirement and conversion of the shares of Company Common Stock pursuant to this Section 1.7(c). As of the Effective Time, each certificate evidencing ownership of such shares of Company Common Stock shall cease to have any rights with respect thereto except the right to receive the Parent Shares to be issued in consideration therefor upon the surrender of such certificate in accordance with Section 2.1.

1.8 Taking of Necessary Action: Further Action. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Entity with full

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right, title and possession to all assets, property, rights, privileges, powers and franchises of the Company and Merger Sub, the directors and officers of the Surviving Entity shall take all such lawful and necessary action, consistent with this Agreement, on behalf of the Company and Merger Sub.

1.9 Parent Charter Amendment. At the Closing and prior to the Effective Time, and upon the terms of and subject to the conditions set forth in this Agreement and receipt of the applicable Parent Shareholder Approval, Parent shall cause its articles of organization to be amended (the Charter Amendment ) to increase the number of authorized shares of capital stock of Parent by filing Articles of Amendment substantially in the form of Annex D hereto (the Articles of Amendment ) with the Secretary of State of the State of Massachusetts (the Massachusetts Secretary of State ) in accordance with applicable provisions of the Massachusetts Business Corporations Act.

1.10 Effective Time Parent Board. The Parties will take all actions required such that as of the Effective Time (a) the Parent Board shall consist of the directors determined in compliance with Section 2(b) of the Shareholders Agreement and (b) the committees of the Parent Board shall be comprised of such directors determined in compliance with Section 2(d) of the Shareholders Agreement.

1.11 Alternative Structure. If (i) the Parent Shareholder Approval has not been obtained and (ii) Parent and the Company determine that an alternative structure of the transactions contemplated hereby is necessary to avoid undue delay of the consummation of the Merger and the other transactions contemplated hereby and the other Related Agreements or otherwise to address legal, commercial or regulatory concerns of the operations of Parent and its Subsidiaries (including the Company and its Subsidiaries) from and after the consummation of the Merger and the other transactions contemplated hereby that would reasonably be avoided by the use of such alternative structure, then each Party hereto will cooperate in good faith to make changes to the terms hereof and the other Related Agreements to reflect such alternative structure of the transactions contemplated hereby and the other Related Agreements and to achieve, to the greatest extent possible, the economic, business and other purposes of the terms hereof and the other Related Agreements.

**ARTICLE II**

**EXCHANGE OF CERTIFICATES IN THE MERGER**

2.1 Exchange of Certificates.

(a) Exchange Agent. Immediately following the Effective Time, Parent shall deposit with a bank or trust company of national recognition (the Exchange Agent ), for the benefit of the holders of Company Common Stock immediately prior to the Effective Time for exchange in accordance with this Article II through the Exchange Agent certificates representing the Parent Shares issuable pursuant to Section 1.7(c) in exchange for outstanding shares of Company Common Stock canceled, retired and converted pursuant to Section 1.7(c) (such shares of Parent Common Stock, together with any dividends or distributions with respect thereto, being hereinafter referred to as the Exchange Fund ). In lieu of a bank or trust company, Parent or any of its Subsidiaries may serve as the Exchange Agent hereunder with the consent of the Company prior to the Effective Time.

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of a certificate or certificates that immediately prior to the Effective Time represented outstanding shares of Company Common Stock that were canceled, retired and converted pursuant to Section 1.7(c) (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the certificates shall pass, only upon delivery of the certificates to the Exchange Agent and shall be in such form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in surrendering the certificates in exchange for the Parent Shares into which the shares of Company Common Stock were converted. Upon the surrender to the Exchange Agent of a certificate that formerly represented shares of

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Company Common Stock in accordance with the provisions of this Section 2.1, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Exchange Agent, the Exchange Agent shall deliver to the holders of certificates that immediately prior to the Effective Time represented outstanding shares of Company Common Stock certificates representing the number of shares of Parent Common Stock into which such shares shall have been converted in accordance with Section 1.7(c), and the certificate so surrendered shall forthwith be cancelled.

(c) No Further Ownership Rights in the Company. At and after the Effective Time, each holder of shares of Company Common Stock immediately prior to the Effective Time shall cease to have any rights as a shareholder of the Company except for the right to surrender such shareholder's certificates that immediately prior to the Effective Time represented outstanding shares of Company Common Stock in exchange for receipt of Parent Common Stock in accordance with Section 1.7(c).

(d) Transfers of Ownership. After the Effective Time, no transfer of shares of Company Common Stock which were outstanding immediately prior to the Effective Time shall be made on the stock transfer books of the Company.

(e) Lost, Stolen or Destroyed Certificates. In the event that any certificates representing shares of Company Common Stock immediately prior to the Effective Time shall have been lost, stolen or destroyed, the Exchange Agent or Parent, as applicable, shall issue in exchange for such lost, stolen or destroyed certificates, upon the making of an affidavit of that fact by the holder thereof, the Parent Shares deliverable in respect thereof pursuant to Section 1.7(c); provided, however, that Parent may, in its discretion and as a condition precedent to the delivery of such shares, require the owners of such lost, stolen or destroyed certificates to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against Parent, the Surviving Entity or the Exchange Agent with respect to the certificates alleged to have been lost, stolen or destroyed.

(f) No Fractional Shares. No fraction of a share of Parent Common Stock shall be issued in the Merger. In lieu of any fractional shares, the fractional amount of Parent Common Stock to which any holder of Company Common Stock is entitled to receive under Section 1.7(c) shall be rounded down to the nearest whole number and the holder thereof shall be entitled to receive an amount in cash, without interest, equal to the product obtained by multiplying (x) the fraction of a share of Parent Common Stock to which such holder (after taking into account all shares of Company Common Stock and all certificates held immediately prior to the Effective Time by such holder) would otherwise be entitled to and (y) the closing price per share of Parent Common Stock as reported on the NYSE Composite Transaction Tape (as reported in The Wall Street Journal, or, if not reported thereby, any other authoritative source) on the last trading day prior to but not including the date of the Effective Time.

(g) No Liability. Notwithstanding anything to the contrary set forth in this Agreement, none of the Escrow Agent, Parent or the Surviving Entity shall be liable to a holder of shares of Company Common Stock immediately prior to the Effective Time for any amount or property properly paid or transferred to a public official pursuant to any applicable abandoned property, escheat or similar law.

(h) Distribution of Exchange Fund to Parent. Any portion of the Exchange Fund that remains undistributed to the holders of certificates representing shares of Company Common Stock immediately prior to the Effective Time on the date that is twelve (12) months after the Effective Time shall be delivered to Parent upon demand, and any holders of shares of Company Common Stock that were issued and outstanding immediately prior to the Merger who have not theretofore surrendered such certificates evidencing such shares of Company Common Stock for exchange pursuant to the provisions of this Article II shall thereafter look for issuance of the Parent Shares in respect of the shares of Company Common Stock evidenced by such certificates solely to Parent, as general creditors thereof, for any claim to the applicable merger consideration to which such holders may be entitled pursuant to the provisions of this Article II.

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(i) **Distributions with Respect to Unexchanged Shares.** No dividends or other distributions with respect to Parent Common Stock with a record date after the Effective Time shall be paid to a holder of shares of Company Common Stock immediately prior to the Effective Time with respect to the shares of Parent Common Stock into which they were converted until surrender of shares of Company Common Stock in accordance with this **Article II**. Following surrender of any such shares of Company Common Stock, there shall be paid to the holder of the certificate representing shares of Parent Common Stock issued in exchange therefor, without interest, the amount of dividends or other distributions with a record date after the Effective Time payable with respect to such shares of Parent Common Stock.

2.2 **Dissenting Shares.** Pursuant to the delivery of the Company Shareholder Written Consent, all holders of shares of Company Common Stock shall waive any right to demand appraisal for such shares in accordance with the CGCL. If for any reason any holder of shares of Company Common Stock outstanding immediately prior to the Effective Time who has not voted in favor of the Merger or consented thereto in writing (such shares, **Dissenting Shares** ) has properly demanded appraisal for such shares in accordance with the CGCL, such shares of Company Common Stock shall not be converted into a right to receive Parent Shares, unless such holder fails to perfect, withdraws or otherwise loses such holder's right to appraisal under the CGCL. If, after the Effective Time, such holder fails to perfect, withdraws or otherwise loses such holder's right to appraisal, each such share shall be treated as if it had been converted as of the Effective Time into a right to receive Parent Shares. The Company shall give Parent (i) prompt notice of (A) any demands for appraisal pursuant to the CGCL or otherwise received by the Company, (B) withdrawals of such demands, and (C) any other instruments served pursuant to the CGCL or otherwise and received by the Company in connection with such demands and (ii) the opportunity to direct all negotiations and proceedings with respect to all such demands for appraisal under the CGCL or otherwise prior to the Effective Time. The Company shall not, except with the prior written consent of Parent or as otherwise required by any Applicable Law, make any payment with respect to any such demands for appraisal or offer to settle or settle any such demands.

2.3 **Withholding.** Each of Parent, the Surviving Entity and Exchange Agent, as applicable, shall be entitled to deduct and withhold from any amounts payable by it pursuant to this Agreement any withholding Taxes or other amounts required by any Applicable Law to be deducted and withheld. To the extent that any such amounts are so deducted or withheld, such amounts will be treated for all purposes of this Agreement as having been paid prior to the Closing to the Person in respect of which such deduction and withholding was made.

2.4 **Adjustments.** The numbers of shares of Parent Common Stock issuable pursuant to **Section 1.7(c)** shall be equitably adjusted to reflect appropriately the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Parent Common Stock), extraordinary cash dividends, merger, reorganization, recapitalization, reclassification, combination, exchange of shares or other like change with respect to Parent Common Stock occurring on or after the date hereof.

2.5 **Acknowledgement by Recipient of Merger Consideration.** Without limiting any other provision hereof, each holder of certificates representing shares of Company Common Stock converted into Parent Shares pursuant to **Section 1.7(c)** receiving such Parent Shares shall be deemed to have acknowledged and agreed to be bound by its obligations set forth in this Agreement including, without limitation, the obligation to indemnify Parent Indemnified Parties pursuant to **Article IX**.

**ARTICLE III**

**REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

The Company represents and warrants to Parent and Merger Sub as of the date hereof as follows:

3.1 **Organization and Qualification.** The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California. The Company has all requisite corporate power and

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authority to own, lease and operate its properties and to carry on its business. The Company is duly qualified or licensed to do business and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not have a Company Material Adverse Effect. The Company has made available to Parent a true and correct copy of its articles of incorporation and bylaws, each as amended to date and in full force and effect on the date hereof.

### 3.2 Subsidiaries.

(a) Section 3.2(a) of the Company Schedule sets forth a true and complete list of each Subsidiary of the Company, together with (i) the jurisdiction of formation of each such Subsidiary, (ii) the percentage of the outstanding Equity Interests of such Subsidiary owned by the Company or any of its other Subsidiaries, and (iii) if applicable, each other holder of Equity Interests of such Subsidiary. Neither the Company nor any of its Subsidiaries owns any Equity Interest in any Person other than the Subsidiaries set forth in Section 3.2(a) of the Company Schedule. All Equity Interests of each Subsidiary of the Company owned by the Company or any of its other Subsidiaries are owned free and clear of all Liens other than Permitted Liens.

(b) Each Subsidiary of the Company is duly organized, validly existing and in good standing (to the extent applicable) under the Applicable Laws of its jurisdiction of formation. Each Subsidiary of the Company has all requisite power and authority to own, lease and operate its properties and to carry on its business. Each Subsidiary of the Company is duly qualified or licensed to do business and is in good standing (to the extent applicable) as a foreign organization in each jurisdiction in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not have a Company Material Adverse Effect. The Company has made available to Parent a true and correct copy of the certificate of incorporation and bylaws or other comparable organizational documents of each Subsidiary of the Company, each as amended to date and in full force and effect on the date hereof.

(c) All of the outstanding share capital of each of the Company's Subsidiaries has been duly authorized and validly issued and is fully paid and non-assessable.

3.3 Authority. The Company has all requisite power and authority to execute and deliver this Agreement and all other Related Agreements to which it is or is to be a party and subject, in the case of the consummation of the Merger, to the receipt of the Company Shareholder Written Consent, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery by the Company of this Agreement and the other Related Agreements to which it is or is to be a party and the consummation by the Company of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company, and no additional corporate proceedings on the part of the Company are necessary to authorize this Agreement or any other Related Agreement or the consummation of the transactions contemplated hereby or thereby, other than in the case of the consummation of the Merger, obtaining the Company Shareholder Written Consent. Without limiting the generality of the foregoing, the board of directors of the Company has duly and validly adopted resolutions (i) determining that this Agreement and the other Related Agreements to which it is or is to be a party and the Merger and the other transactions contemplated hereby and thereby are advisable, fair to and in the best interests of the Company and its shareholders; (ii) approving this Agreement and the other Related Agreements to which it is or is to be a party and the Merger and the other transactions contemplated hereby and thereby; and (iii) recommending that the Shareholders deliver the Company Shareholder Written Consent, which resolutions have not been subsequently rescinded, modified or withdrawn in any way. This Agreement and the other Related Agreements to which the Company is or is to be a party have been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Merger Sub and any other counterparty thereto, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as (a) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting or relating to creditors' rights generally, and (b) is subject to general principles of equity.

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3.4 No Conflict. None of the execution, delivery or performance by the Company of this Agreement or any other Related Agreements to which it is to be a party, the consummation by the Company of the transactions contemplated hereby or thereby or the compliance by the Company with any of the provisions hereof or thereof: (i) violate or conflict with any provision of the articles of incorporation or bylaws of the Company; (ii) violate or conflict with any provision of the certificates of incorporation or bylaws or other comparable organizational documents of any of the Company's Subsidiaries; (iii) except as set forth in Section 3.4 of the Company Schedule and subject to obtaining the Consents set forth in Section 3.5 of the Company Schedule, violate, conflict with, or result in the breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or result in the termination of, or accelerate the performance required by or modification to the terms or conditions of, or result in a right of termination, acceleration or modification under, any Contract to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or any of their properties or assets may be bound; (iv) assuming compliance with the matters referred to in Section 3.5 of the Company Schedule and, in the case of the consummation of the Merger, subject to obtaining the Company Shareholder Written Consent, violate or conflict with any Applicable Law or Decree applicable to the Company or any of its Subsidiaries or by which any of their properties or assets are bound; or (v) result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries, except in the case of each of clauses (ii), (iii), (iv) and (v) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or Liens that would not have a Company Material Adverse Effect.

3.5 Governmental Consents. Except as set forth on Section 3.5 of the Company Schedule, no Consent of any Governmental Entity is required on the part of the Company, any of its Subsidiaries or any of the Shareholders in connection with the execution, delivery or performance by the Company or the Shareholders of this Agreement or any other Related Agreement to which it is or is to be a party or the consummation by the Company or the Shareholders of the transactions contemplated hereby or thereby, except (a) the filing and recordation of the Certificate of Merger with the California Secretary of State and such filings with Governmental Entities to satisfy the Applicable Laws of states in which the Company and its Subsidiaries are qualified to do business; (b) such filings and approvals as may be required by any federal or state securities laws, including compliance with any applicable requirements of the Exchange Act; (c) compliance with any applicable requirements of the HSR Act and any applicable foreign antitrust, competition or merger control laws (collectively, Antitrust Laws); and (d) such other Consents, the failure of which to obtain would not have a Company Material Adverse Effect.

3.6 Capitalization.

(a) The authorized capital stock of the Company consists of 1,000,000 shares of Company Common Stock. Exhibit A hereto sets forth a true and complete list of all Equity Interests of the Company issued or outstanding and the record and beneficial holders thereof. Except as set forth on Section 3.6(a) of the Company Schedule, the shares of Company Common Stock set forth on Exhibit A hereto are the only Equity Interests of the Company issued or outstanding and the shareholders set forth thereon are the only holders of Equity Interests of the Company. All outstanding shares of Company Common Stock are validly issued, fully paid, nonassessable and free of any preemptive rights.

(b) The Company has reserved for issuance no additional shares of Company Common Stock other than those shares of Company Common Stock issued and outstanding as of the date hereof.

(c) All of the outstanding Equity Interests of the Company have been issued in compliance in all material respects with Applicable Law and the articles of incorporation and bylaws of the Company.

(d) Except as set forth on Section 3.6(d) of the Company Schedule, neither the Company nor any of its Subsidiaries, nor any of the Shareholders, is a party to any Contract restricting the transfer of, relating to the voting of, requiring registration of, or granting any preemptive rights, anti-dilutive rights or rights of first refusal or similar rights with respect to any Equity Interests of the Company or any other shareholders agreement or other similar agreement restricting the election or appointment of directors of the Company.

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3.7 Financial Statements.

(a) Section 3.7(a) of the Company Schedule contains (i) the unaudited consolidated balance sheets as of December 31, 2006 and 2007 and the related consolidated statements of income, shareholders' equity and cash flows of the Company and its Subsidiaries for the fiscal years ended December 31, 2005, 2006 and 2007 (the most recent balance sheet set forth therein, the Most Recent Company Balance Sheet ; and the date thereof, the Most Recent Company Fiscal Year End ; and such financial statements collectively, the Unaudited Company Financial Statements ); and (ii) the unaudited consolidated balance sheet of the Company and its Subsidiaries as of January 31, 2008 and the related unaudited consolidated income statements, changes in shareholders' equity and cash flow of the Company and its Subsidiaries as of and for the one-month period then ended (the financial statements referred to in items (i) and (ii), and, upon the delivery of the Audited Company Financial Statements, the Audited Company Financial Statements, collectively, the Company Financial Statements ).

(b) Except as set forth on Section 3.7(b) of the Company Schedule, the Company Financial Statements (i) were prepared in accordance with GAAP as in effect on the respective dates thereof applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto); and (ii) fairly present in accordance with GAAP (subject, in the case of the unaudited interim financial statements, to normal, recurring year-end audit adjustments that were not or are not expected to be, individually or in the aggregate, materially adverse to the Company) the consolidated financial position of the Company and its Subsidiaries as of the respective dates thereof and the consolidated results of their operations and cash flows for the respective periods then ended.

(c) Except as set forth on Section 3.7(c) of the Company Schedule, the Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) access to assets is permitted only in accordance with management's general or specific authorization; and (iii) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as set forth on Section 3.7(c) of the Company Schedule, since December 31, 2007, the Company's outside auditors and the audit committee of the board of directors of the Company have not been advised of (A) any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which adversely affect the Company's ability to record, process, summarize and report financial information, or (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

3.8 No Undisclosed Liabilities. Neither the Company nor any of the Company's Subsidiaries has any Liability that would be required by GAAP, as in effect on the date thereof, to be reflected on a consolidated balance sheet of the Company and its Subsidiaries except for (a) Liabilities reflected or reserved against in the Most Recent Company Balance Sheet; (b) Liabilities incurred in the ordinary course of business consistent with past practice since the Most Recent Company Fiscal Year End; (c) Liabilities that arose under, or were incurred in connection with the transactions contemplated by, this Agreement; or (d) Liabilities that would not have a Company Material Adverse Effect. Except as set forth on Section 3.8 of the Company Schedule, neither the Company nor any of its Subsidiaries is a party or subject to, or has any commitment to become a party to any off-balance sheet arrangements (as defined in Item 303(a) of Regulation S-K).

3.9 Absence of Certain Changes.

(a) Since the Most Recent Company Fiscal Year End, except as set forth on Section 3.9 of the Company Schedule or except for actions expressly contemplated by this Agreement or any other Related Agreement or expressly consented to in writing by Parent from and after the date hereof, (i) the business of the Company and its Subsidiaries has been conducted, in all material respects, in the ordinary course consistent with past practice and (ii) there has not been a Company Material Adverse Effect.

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(b) Without limiting the generality of Section 3.9(a), the Company and its Subsidiaries have not since the Most Recent Company Fiscal Year End and prior to the date of this Agreement taken any action, or failed to take any action, which if taken from and after the date hereof would be restricted by Section 6.1.

**3.10 Compliance with Laws and Permits.**

(a) Except with respect to matters that are the subjects of Section 3.18, Section 3.19 and Section 3.20 and except as set forth on Section 3.10 of the Company Schedule, the Company and each of its Subsidiaries is and during the last three (3) years has been in compliance with all Applicable Laws and Decrees, except for such noncompliance that would not have a Company Material Adverse Effect. Except as set forth on Section 3.10 of the Company Schedule, none of the Company or any of its Subsidiaries has received any written, or to the Knowledge of the Company, oral, notice (i) of any non-routine administrative, civil or criminal investigation or audit (other than Tax audits, which are addressed in Section 3.19) by any Governmental Entity relating to the Company or any of its Subsidiaries or (ii) from any Governmental Entity alleging that the Company or any of its Subsidiaries is not or has not been in compliance with any Applicable Law or Decree, that, if adversely determined (as to both subsections (i) and (ii) above), would have a material adverse effect on the Company.

(b) Except with respect to matters that are the subjects of Section 3.18, Section 3.19 and Section 3.20, the Company and each of its Subsidiaries has and during the last three (3) years has had in effect all Permits necessary for it to own, lease or otherwise hold and operate its properties and assets and to carry on its businesses and operations as now conducted, and no suspension or cancellation of any such Permits is pending or, to the Knowledge of the Company, threatened in writing, except for such lack of Permits, noncompliance, suspensions or cancellations that would not have a Company Material Adverse Effect. Except with respect to matters that are the subjects of Section 3.18, Section 3.19 and Section 3.20, there are no defaults (with or without notice or lapse of time or both) under, violations of, or events giving rise to any right of termination, amendment or cancellation of, any such Permits, except for such defaults, violations, terminations, amendments or cancellations that would not have a Company Material Adverse Effect.

**3.11 Litigation.** Except with respect to matters that are the subjects of Section 3.18, Section 3.19 and Section 3.20, and except as set forth in Section 3.11 of the Company Schedule, there is no Legal Proceeding pending or, to the Knowledge of the Company, threatened, (a) against the Company, any of its Subsidiaries, the Shareholder Representative, or any of their respective properties that (i) involves an amount in controversy in excess of \$1,000,000, or (ii) seeks to impose any material legal restraint on or prohibition against or limit the Surviving Entity's or any of its Affiliates' ability to operate the business of the Company and its Subsidiaries substantially as it was operated immediately prior to the date of this Agreement; (b) against any current director or officer of the Company or any of its Subsidiaries (in their respective capacities as such) or, to the Knowledge of the Company, any former director or officer of the Company or any of its Subsidiaries (in their respective capacities as such); or (c) against the Company, any of its Subsidiaries or any Shareholder or any of their respective properties that challenges, or that has the effect of preventing, delaying, making illegal or otherwise materially interfering with, the Merger or any of the other transactions contemplated hereby. Neither the Company nor any of its Subsidiaries is subject to any outstanding Decree that materially impairs the Company's or such Subsidiary's ability to operate in the same manner it operates on the date hereof. Section 3.11 of the Company Schedule sets forth, for each Legal Proceeding listed thereon, a brief description and the status thereof.

**3.12 Assets.** Except as set forth on Section 3.12 of the Company Schedule, the Company and its Subsidiaries have (i) good and valid title to all of the assets and properties (whether real, personal or mixed, or tangible or intangible) material to the operation of their business, taken as a whole (including all assets and properties recorded on the Most Recent Company Balance Sheet, other than assets and properties disposed of in the ordinary course of business since the Most Recent Company Fiscal Year End), free and clear of any Liens, other than Permitted Liens, and (ii) valid leasehold interests in, or any other valid rights under Contract to use, all of the assets and properties which the Company or any of its Subsidiaries lease or otherwise use, except where the failure to have such title or interest would not have a Company Material Adverse Effect.



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3.13 Material Contracts.

(a) Section 3.13 of the Company Schedule lists, as of the date hereof, all of the Material Contracts to which the Company or any of its Subsidiaries is a party or that is otherwise binding on the Company, any of its Subsidiaries or any of the assets or property of the Company or any of its Subsidiaries (each such listed Material Contract or Material Contract otherwise required to be listed, or any Material Contract that would be required to be listed if entered into from and after the date hereof and prior to the Effective Time, a Company Material Contract ).

(b) Except as set forth on Section 3.13(b) of the Company Schedule, each Company Material Contract, other than any Company Material Contract that by its terms has expired or been terminated since the date hereof, is valid and binding on the Company (and/or each Subsidiary of the Company party thereto) and, to the Knowledge of the Company, is valid and binding on each other party thereto and is in full force and effect, except as may be limited by bankruptcy, insolvency, reorganization, preference, fraudulent transfer, moratorium or similar laws relating to or affecting the rights and remedies of creditors and by general principles of equity regardless of whether considered in a proceeding in equity or at law. Except as set forth on Section 3.13(b) of the Company Schedule, neither the Company nor any of its Subsidiaries party thereto, nor, to the Knowledge of the Company, any other party thereto, is in breach of, or default under, any Company Material Contract, and no event has occurred that with notice or lapse of time or both would constitute such a breach or default thereunder by, the Company or any of its Subsidiaries, or, to the Knowledge of the Company, any other party thereto, or would give rise to the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify any Company Material Contract, except for such failures to be in full force and effect and such breaches, defaults or events that would not have a Company Material Adverse Effect.

(c) Except as set forth on Section 3.13(c) of the Company Schedule, the Company has made available to Parent true, accurate and complete copies of all Company Material Contracts.

3.14 Government Contracts.

(a) Except as set forth on Section 3.14(a) of the Company Schedule, with respect to each Government Contract of the Company: (i) each of the Company and its Subsidiaries has complied in all material respects with all material terms and conditions and all Applicable Laws; (ii) no written notice has been received by either the Company or any of its Subsidiaries (and, to the Knowledge of the Company, none has been threatened) alleging that the Company, any of its Subsidiaries, or any director, officer or employee of the Company or any of its Subsidiaries, is in material breach or violation of any Applicable Law or contractual requirement thereunder; and (iii) no written notice of termination has been received by the Company or any of its Subsidiaries thereunder.

(b) Except as set forth in Section 3.14(b) of the Company Schedule, no Governmental Entity nor any prime contractor, subcontractor or vendor has asserted in writing any material claim or initiated any material dispute proceeding against the Company or any of its Subsidiaries relating to any Government Contract of the Company or Government Bid of the Company, nor is the Company or any of its Subsidiaries asserting any material claim or initiating any material dispute proceeding directly or indirectly concerning any such Government Contract or Government Bid.

(c) With respect to each Government Contract of the Company and Government Bid of the Company, except as set forth in Section 3.14(c) of the Company Schedule:

(i) there are no assignments of revenues or anticipated revenues pursuant to the federal Assignment of Claims Act, 31 U.S.C. § 3727;

(ii) all written representations and certifications submitted by the Company or any of its Subsidiaries in order to induce the award of a Government Contract or to induce payments under a Government Contract were current, accurate and complete in all respects as of their respective effective dates;

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(iii) material pricing discounts have been properly reported to and credited to the customer;

(iv) the Company and its Subsidiaries have maintained systems of internal controls that are and have been in material compliance with all requirements of such Government Contracts and Applicable Law;

(v) to the Knowledge of the Company, as of the date hereof, the Company and its Subsidiaries fully expect and intend to fully perform all of the obligations under (and the Company and its Subsidiaries have all material Governmental Entity authorizations and all material third-party certifications and approvals required in order to perform) each such Government Contract;

(vi) neither the Company nor any of its Subsidiaries, nor any of their respective partners, principals or officers (nor, to the Knowledge of the Company, any of its or its Subsidiaries employees, agents or consultants) have possessed or have accessed confidential or non-public information to which they were not lawfully entitled; and

(vii) the Company and each of its Subsidiaries and, to the Knowledge of the Company, each of their respective officers or directors is in compliance with Applicable Laws and other administrative and contractual restrictions associated with the employment of (or discussions concerning possible employment with) current or former officials or employees of a Governmental Entity (regardless of the branch of government), in each case, in all respects material to the Company and its Subsidiaries taken as a whole.

(d) Except as set forth in Section 3.14(d) of the Company Schedule, with respect to each Government Contract of the Company and Government Bid of the Company, neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any of their respective corporate directors or officers (i) is or during the past five (5) years has been under investigation, indictment or audit by, any Governmental Entity, nor (ii) has conducted or initiated any investigation or made any disclosure to a Governmental Entity with respect to any alleged irregularity, misstatement or non-compliance, other than, in each of the cases in clause (i) or (ii), for routine audits or non-material disclosures.

(e) Neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any of their respective shareholders, officers or directors, is or within the past three (3) years has been debarred, suspended or deemed non-responsible or otherwise formally excluded from participation in the award of a Government Contract of any Person, nor is there any pending debarment, suspension or exclusion proceeding that has been initiated against the Company or any of its Subsidiaries or, to the Knowledge of the Company, any of their predecessors, shareholders, officers or directors.

(f) Neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any of their respective directors or officers, have (i) used any funds of the Company or its Subsidiaries to offer or provide any unlawful contribution, payment, kickback, bribe, gift, gratuity or entertainment, or (ii) to the Knowledge of the Company made any unlawful expenditures relating to political activity. Neither the Company nor any of its Subsidiaries has received written (or, to the Knowledge of the Company, oral) notice of any payment identified in (i) or (ii) above, (hereinafter referred to as an Unlawful Payment ), and the Company and its Subsidiaries have adequate financial controls to detect and prevent any such Unlawful Payments. The Company and its Subsidiaries have been in compliance in all material respects and have, during all periods for which any applicable statute of limitations has not expired, complied with the applicable provisions of the U.S. Foreign Corrupt Practices Act, as amended, and other foreign Applicable Laws relating to corrupt practices and similar matters.

(g) Section 3.14(g) of the Company Schedule sets forth as of the date hereof a current, complete and accurate list of all of Government Contracts of the Company that are currently active in performance. Unless listed on Section 3.14(g) of the Company Schedule as being closed, each Government Contract of the Company listed on Section 3.14(g) of the Company Schedule is in full force and effect and constitutes a legal,

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valid and binding agreement, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, preference, fraudulent transfer, moratorium or similar laws relating to or affecting the rights and remedies of creditors and by general principles of equity regardless of whether considered in a proceeding in equity or law. No Government Contract of the Company listed on Section 3.14(g) of the Company Schedule was awarded on the basis of any qualification as a small business or other set aside or preferential prime contractor or subcontractor bidding status (collectively, a Preferred Bidder Status ). The Company has made available to Parent complete and correct copies of those Government Contracts of the Company listed on Section 3.14(g) of the Company Schedule, together with all draft or final audit reports from a Governmental Entity or other customer as received by the Company pertaining to such Government Contracts.

(h) Section 3.14(h) of the Company Schedule sets forth as of the date set forth in such schedule (or if not indicated as of the date hereof) a current, accurate and complete list of each of the Government Bids which the Company or its Subsidiaries have submitted to a Governmental Entity (or a prime contractor) for which no notice of award decision has been received by the Company or its Subsidiaries.

3.15 Real Property.

(a) Section 3.15(a) of the Company Schedule sets forth the address and a general description of all material real property owned by the Company or any of its Subsidiaries as of the date of this Agreement (the Company Owned Real Property ). With respect to all Company Owned Real Property (other than Distributable Property):

(i) the Company or one of its Subsidiaries has good and marketable fee simple title, free and clear of all Liens, other than Permitted Liens;

(ii) except as set forth on Section 3.15(a) of the Company Schedule and except for Permitted Liens, neither the Company nor any of its Subsidiaries has leased or otherwise granted to any Person the right to use or occupy such Company Owned Real Property or any material portion thereof; and

(iii) there are no outstanding options, rights of first offer or rights of first refusal to purchase such Company Owned Real Property or any portion thereof or interest therein.

(b) Section 3.15(b) of the Company Schedule contains a complete and accurate list of the following:

(i) the address of each item of material Leased Real Property used or occupied by the Company or any of its Subsidiaries (the Company Leased Real Property and together with the Company Owned Real Property, the Company Real Property ) pursuant to a Lease (the Company Leases ), and a true and complete list of all Company Leases. The Company has made available to Parent a true and complete copy of each of the Company Leases and, in the case of any oral Company Lease, a written summary of the terms of such Company Lease; and

(ii) all Contracts or options granted by the Company or any of its Subsidiaries, or contractual obligations on the part of the Company or any of its Subsidiaries, to purchase or acquire any interest in real property material to the Company and its Subsidiaries taken as a whole.

(c) Except as set forth on Section 3.15(c) of the Company Schedule, with respect to each Company Lease, (i) such Lease is valid and binding on the Company (and/or each Subsidiary of the Company party thereto) and, to the Knowledge of the Company, is valid and binding on each other party thereto and is in full force and effect, except as may be limited by bankruptcy, insolvency, reorganization, preference, fraudulent transfer, moratorium or similar laws relating to or affecting the rights and remedies of creditors and by general principles of equity regardless of whether considered in a proceeding in equity or law; (ii) neither the Company nor any of its Subsidiaries party thereto, nor, to the Knowledge of the Company, any other party thereto, is in breach of, or default under, such Lease, and no event has occurred that with notice or lapse of time or both would

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constitute such a breach or default thereunder by, the Company or any of its Subsidiaries, or, to the Knowledge of the Company, any other party thereto, or would give rise to the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify such Lease; (iii) neither the Company or any of its Subsidiaries owes, or has any obligation to owe in the future, any brokerage commissions or finder's fees with respect to such Lease; (iv) neither the Company nor any of its Subsidiaries has collaterally assigned or granted any other security interest in such Lease or any interest therein; and (v) there are no Liens, other than Permitted Liens, on the estate or interest created by such Lease, except in the case of clauses (i) through (v) as would not have a Company Material Adverse Effect.

(d) Except as would not materially interfere with the use or operation thereof, the Company Real Property has received all required approvals of Governmental Entities (including Permits and a certificate of occupancy or other similar certificate permitting lawful occupancy of the Company Real Property) required in connection with the operation thereof. Except as would not materially interfere with the use or operation of any Company Real Property, all buildings, structures, improvements, fixtures, building systems and equipment, and all components thereof, included in the Company Real Property, including leasehold improvements (the Company Improvements), are, to the Knowledge of the Company, (x) in good operating condition and repair, subject to ordinary wear and tear, (y) sufficient for the operation of the Company's or its Subsidiaries business as presently conducted, and (z) in conformity with all Applicable Laws.

(e) Except as set forth on Section 3.15(e) of the Company Schedule, neither the Company nor any of its Subsidiaries has received any written notice that it is in violation of any zoning, use, occupancy or building regulation, ordinance or other Applicable Law or Decree relating to the Company Real Property, and there is no condemnation, expropriation or other proceeding in eminent domain pending, or to the Knowledge of the Company, threatened, affecting the Company Real Property or any portion thereof or interest therein.

3.16 Intellectual Property. Section 3.16 of the Company Schedule contains a complete and accurate list of all of the following that constitutes material Company Intellectual Property (identifying for each, the owner, and, if not exclusively owned by the Company, the license pursuant to which the Company has the right to use such Intellectual Property): (i) patented or registered Intellectual Property, (ii) pending patent applications or applications for registration of Intellectual Property, (iii) all computer software (other than commercially available, off-the-shelf software with a replacement cost and/or annual license fee of less than \$100,000), and (iv) trade or corporate names and material unregistered trademarks and service marks. Except as set forth on Section 3.16 of the Company Schedule or as would not have a Company Material Adverse Effect:

(a) the Company and/or each of its Subsidiaries owns, free and clear of all Liens, other than Permitted Liens, or has a valid and enforceable license to use, all Company Intellectual Property;

(b) the Company Intellectual Property is valid, enforceable and subsisting and no loss of any Company Intellectual Property is reasonably foreseeable;

(c) the Company and each of its Subsidiaries have taken all customary actions necessary to maintain, protect, and enforce the Company Intellectual Property, including the confidentiality of its trade secrets and other confidential information;

(d) the conduct of the business of the Company or any of its Subsidiaries does not infringe, misappropriate or otherwise conflict with, and has not within the last six (6) years infringed, misappropriated or otherwise conflicted with, any Intellectual Property of any third party, and to the Knowledge of the Company, no third party is infringing, misappropriating or otherwise conflicting with, or has within the last six (6) years infringed, misappropriated or otherwise conflicted with, any of the Company Intellectual Property; and

(e) there are no claims against the Company or any of its Subsidiaries that were either made within the past six (6) years or are presently pending or, to the Company's Knowledge, threatened, contesting the ownership or use of any of the Company Intellectual Property.

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3.17 Insurance. The Company and its Subsidiaries have all policies of insurance covering the Company, its Subsidiaries or any of their respective employees, properties or assets, which are reasonably customary for the operation of its business. All such insurance policies are in full force and effect, no notice of cancellation has been received, and there is no existing default or event which, with the giving of notice or lapse of time or both, would constitute a default, by any insured thereunder, except for such defaults that would not have a Company Material Adverse Effect. There is no material claim by the Company or any of its Subsidiaries or any Affiliate thereof pending under any of such insurance policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies other than for routine matters in the ordinary course of business. Except as set forth on Section 3.17 of the Company Schedule, there is no pending claim that will exceed the policy limits under any such insurance policy. None of the Company or any of its Subsidiaries maintain, sponsor, participate in or contribute to any self-insurance plan or program.

3.18 Environmental Matters. Except as set forth on Section 3.18 of the Company Schedule:

(a) Each of the Company, its Subsidiaries and their respective predecessors and Affiliates have at all times complied and are in compliance with all Environmental Laws, except for such noncompliance that would not have a Company Material Adverse Effect.

(b) Without limiting the generality of the foregoing, each of the Company, its Subsidiaries and their respective predecessors and Affiliates have obtained and at all times complied with, and are in compliance with, all Permits that are required pursuant to Environmental Law for the occupation of their facilities and the operation of their business, except for such noncompliance that would not have a Company Material Adverse Effect.

(c) Neither the Company, nor any of its Subsidiaries, nor their respective predecessors or Affiliates has received any written or, to the Company's Knowledge, oral notice, report or other information regarding any actual or alleged violation of Environmental Law, or any Liability, including any investigatory, remedial or corrective obligations, relating to any of them or their facilities or the conduct of their respective businesses arising under Environmental Law, except for such violations or Liability that would not have a Company Material Adverse Effect.

(d) Neither the Company, nor any of its Subsidiaries, nor their respective predecessors or Affiliates has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, manufactured, distributed, exposed any person to, or Released any substance, including without limitation any Hazardous Materials, or owned, operated or conducted their business at or upon any property or facility (and no such property or facility is contaminated by any such substance) so as to give rise to any current or future material Liabilities, including any material Liability for fines, penalties, response costs, corrective action costs, personal injury, property damage, natural resources damages or attorneys fees, pursuant to the CERCLA, the Solid Waste Disposal Act or any other Environmental Law.

(e) Neither the Company nor any of its Subsidiaries has assumed, undertaken, or provided an indemnity with respect to any material Liability, including any obligation for corrective or remedial action, of any Person relating to any Environmental Law.

(f) The Company has made available to Parent true and correct copies of all environmental audits, reports and assessments, and all other documents materially bearing on environmental, health or safety liabilities, in each case relating to the past or current operations, facilities or business of the Company and its Subsidiaries, in each case which are in its possession or under its reasonable control.

3.19 Tax Matters. Except as set forth on Section 3.19 of the Company Schedule:

(a) The Company and each of its Subsidiaries have filed or have caused to be timely filed all material Tax Returns required to be filed by it (the Company Tax Returns ). All such Company Tax Returns were correct and complete in all material respects.

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- (b) All material Taxes due and owing by the Company and each of its Subsidiaries (whether or not shown on any Company Tax Return) have been paid or adequate reserves therefor have been established on the Most Recent Company Balance Sheet in accordance with GAAP.
- (c) The Company and each of its Subsidiaries have timely withheld or collected all material Taxes that they were required to withhold or collect under Applicable Law from their employees, customers, shareholders, creditors and others from whom they are or were required to withhold Taxes and have timely paid all such withheld amounts to the appropriate taxing authorities.
- (d) Neither the Company nor any of its Subsidiaries is currently the subject of an audit, judicial proceeding or other examination in respect of Taxes by the tax authorities of any nation, state or locality (and, to the Knowledge of the Company, no such audit, judicial proceeding or other examination is contemplated). The Company has made available to Parent correct and complete copies of all examination reports, closing agreements and statements of deficiencies assessed against or agreed to by the Company or any of its Subsidiaries filed or received since December 31, 2003.
- (e) Neither the Company nor any of its Subsidiaries has consented in writing to extend the statutory period of limitations applicable to any claim for, or the period for the collection or assessment of, Taxes of the Company or any of its Subsidiaries due for any taxable period.
- (f) Neither the Company nor any of its Subsidiaries has received written notice of any claim by any taxing authority in a jurisdiction where such Company or Subsidiary does not file Company Tax Returns that such Company or Subsidiary is or may be subject to taxation by that jurisdiction.
- (g) No material Liens for Taxes exist with respect to any of the assets or properties of the Company or any of its Subsidiaries, except for Permitted Liens.
- (h) Neither the Company nor any of its Subsidiaries is a party to or bound by any Tax indemnity agreement, Tax sharing agreement or Tax allocation agreement.
- (i) Neither the Company nor any of its Subsidiaries is a party to any Contract which, individually or collectively with respect to any Person, could give rise to the payment of any amount that would not be deductible by the Company or any of its Subsidiaries by reason of Section 280G of the Code (or any corresponding provision of United States or non-United States federal, state and local Tax law) as a result of the transactions contemplated hereby or by any other Related Agreement.
- (j) Neither the Company nor any of its Subsidiaries has engaged in any listed transaction, or any reportable transaction the principal purpose of which was tax avoidance, within the meaning of Section 6011, Section 6111 and Section 6112 of the Code.
- (k) Neither the Company nor any of its Subsidiaries is, or has been, a United States real property holding company (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.
- (l) In the past five (5) years, neither the Company nor any of its Subsidiaries has been either a controlled corporation or a distributing corporation (within the meaning of Section 355(a)(1)(A) of the Code) with respect to a transaction that was described in, or intended to qualify as a Tax-free transaction pursuant to Section 355 of the Code.
- (m) Since December 31, 2004, each plan, program, arrangement or agreement that constitutes in any part a nonqualified deferred compensation plan within the meaning of Section 409A of the Code has been operated and maintained in accordance with the requirements of IRS Notice 2005-1 and a good faith, reasonable interpretation of Section 409A of the Code with respect to amounts deferred (within the meaning of Section 409A of the Code) after December 31, 2004.

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(n) The Company has been a validly electing S corporation within the meaning of Section 1361 and 1362 of the Code (and similar provisions of state and local law) at all times since January 1, 1996, and the Company will be an S corporation up to and including the Closing Date.

(o) Section 3.19(o) of the Company Schedule identifies each Subsidiary of the Company that is a qualified subchapter S subsidiary within the meaning of Code Section 1361(b)(3)(B). Each Subsidiary of the Company so identified has been a qualified subchapter S subsidiary at all times since the date shown on such schedule up to and including the Closing Date.

3.20 Labor Matters. Except as set forth on Section 3.20 of the Company Schedule, as it relates to the Company and its Subsidiaries: (i) as of the date hereof, there is no collective bargaining agreement or relationship covering employees of the Company or any of its Subsidiaries; (ii) there are no pending or, to the Knowledge of the Company, threatened, material labor or employment controversies or disputes, including any Legal Proceeding alleging alleged unlawful harassment, employment discrimination, unfair labor practices, unpaid wages, unsafe workplace, unlawful wage or immigration practices, or unlawful tax withholding practices; (iii) there is no strike, slowdown, work stoppage, lockout or other material labor dispute underway, or threatened, and no such labor dispute has occurred within the past three (3) years; (iv) the Company and its Subsidiaries are in compliance with all laws affecting labor and employment, except for instances of noncompliance that would not, individually or in the aggregate, result in a Company Material Adverse Effect; (v) with respect to the transactions contemplated by this Agreement, all bargaining obligations with any employee representative have been or prior to Closing will be satisfied; and (vi) within the past three (3) years, neither the Company nor any of its Subsidiaries has implemented any employee layoffs in violation of the Worker Adjustment and Retraining Notification Act of 1988 or any similar Applicable Laws (collectively, the WARN Act ), and no such action will be implemented without advance notification to Parent. Except as set forth on Section 3.20 of the Company Schedule, neither the Company nor any of its Subsidiaries party thereto, nor, to the Knowledge of the Company, any other party thereto, is in breach of, or default under, any collective bargaining agreement or relationship covering employees of the Company or any of its Subsidiaries, and no event has occurred that with notice or lapse of time or both would constitute such a breach or default thereunder by, the Company or any of its Subsidiaries, or, to the Knowledge of the Company, any other party thereto, or would give rise to the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify any such collective bargaining contract, except for such failures to be in full force and effect and such breaches, defaults or events that would not have a Company Material Adverse Effect.

3.21 Employment Matters.

(a) Section 3.21(a) of the Company Schedule sets forth each material Company Employee Plan. Neither the Company nor any of its Subsidiaries has any stated plan, intention or commitment to establish any new Company Employee Plan, to modify any Company Employee Plan (except to the extent required by Applicable Law or to conform any such Company Employee Plan to the requirements of any Applicable Law, in each case as previously disclosed to Parent in writing), or to enter into or terminate any Company Employee Plan.

(b) The Company has made available to Parent (i) correct and complete copies of each Company Employee Plan and each summary plan description and summary of material modifications thereto; (ii) the three (3) most recent annual reports (Series 5500 and all schedules thereto), if any, required under ERISA or the Code in connection with each Company Employee Plan or related trust; (iii) if any Company Employee Plan is funded, the most recent annual and periodic accounting of Company Employee Plan assets; and (iv) each trust, insurance policy or other funding mechanism which implements each Company Employee Plan.

(c) The Company and each of its Subsidiaries has performed in all material respects all obligations required to be performed by it under each Company Employee Plan and each Company Employee Plan has been established, maintained, funded and operated in accordance with its terms, the terms of any applicable collective

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bargaining agreement and in compliance with all Applicable Law, including ERISA and the Code. Each Company Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is so qualified and has either received a favorable determination letter or opinion letter from the IRS with respect to such Company Employee Plan as to its qualified status under the Code, and to the Knowledge of the Company, nothing has occurred since the date of the last such determination as to each Company Employee Plan which has resulted or is likely to result in the revocation of such determination or which requires or could require action under the compliance resolution programs of the IRS to preserve such qualification. There are no Legal Proceedings pending, or, to the Knowledge of the Company, threatened or anticipated (other than routine claims for benefits) against any Company Employee Plan or fiduciary thereto or against the assets of any Company Employee Plan. Each Company Employee Plan can be amended, terminated or otherwise discontinued after the Effective Time in accordance with its terms, without liability to the Company, any of its Subsidiaries, Parent or any of its ERISA Affiliates (other than ordinary administration expenses typically incurred in a termination event). There are no audits, inquiries investigations or proceedings pending or, to the Knowledge of the Company, threatened by the IRS, DOL or other Governmental Entity with respect to any Company Employee Plan. All annual reports and other filings required by the DOL or the IRS to be made with respect to each Company Employee Plan have been timely and completely made.

(d) Except as set forth on Section 3.21(d) of the Company Schedule, none of the Company, any of its Subsidiaries or ERISA Affiliates now, or has ever, maintained, established, sponsored, participated in, or contributed to, any plan that is subject to Title IV of ERISA or Section 412 of the Code, other than a Multiemployer Plan. None of the Company, any of its Subsidiaries or ERISA Affiliates has incurred, nor do they reasonably expect to incur, any liability with respect to any transaction described in Section 4069 of ERISA. Except as set forth on Section 3.21(d) of the Company Schedule, no Company Employee Plan is a multiple employer plan as defined in Section 210 of ERISA.

(e) None of the Company, any of its Subsidiaries or any of its ERISA Affiliates (i) has incurred any Liability on account of a partial withdrawal or complete withdrawal from any Multiemployer Plan (as described in Sections 4205 and 4203 of the Code, respectively), no such Liability has been asserted, and there are no events or circumstances which have occurred which could result in any such partial or complete withdrawal; or (ii) is bound by any contract or agreement or has any obligation or Liability under Section 4204 of ERISA.

(f) The execution and delivery by the Company of this Agreement and any other Related Agreement to which the Company is a party, and the consummation of the transactions contemplated hereby and thereby, will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under, any Company Employee Plan, trust or loan that could reasonably be expected to result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Employee.

(g) No Company Employee Plan provides, or has any Liability to provide, life insurance, medical or other employee welfare benefits to any Employee upon his or her retirement or termination of employment for any reason, except as may be required by Applicable Law.

(h) All contributions and premium payments required to be made to or with respect to each Company Employee Plan prior to the Effective Time have been timely made in accordance with each such Company Employee Plan and Applicable Law and all contributions and premium payments not yet due to or with respect to each Company Employee Plan have been made or properly accrued. There have been no Prohibited Transactions with respect to any Company Employee Plan which could result in a material liability to the Company. The Company, its Subsidiaries and any ERISA Affiliates have complied with the requirements of COBRA in all material respects.



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3.22 Interested Party Transactions.

(a) Except as set forth on Section 3.22(a) of the Company Schedule, to the Knowledge of the Company, no officer or director of the Company or any of its Subsidiaries (nor any ancestor, sibling, descendant or spouse of any of such Person, or any trust, partnership or corporation in which any of such Persons has an economic interest in excess of five percent (5%) of the ownership interests therein), has, directly or indirectly, (i) an economic interest in any Person that furnishes or sells, or has furnished or sold during or since January 1, 2007, services or products that the Company or any of its Subsidiaries, furnishes or sells; (ii) an economic interest in any Person that purchases from or sells or furnishes to, the Company or any of its Subsidiaries, any goods or services; or (iii) a beneficial interest in any material Contract to which the Company or any of its Subsidiaries is a party or by which they or their properties are bound; provided, however, that ownership of debt or equity interests not exceeding one percent (1%) of the outstanding voting stock of an entity shall not be deemed an economic interest in any entity for purposes of this Section 3.22.

(b) Except as set forth on Section 3.22(b) of the Company Schedule, there are no material receivables of the Company or any of its Subsidiaries owing by any officer or director of the Company or any of its Subsidiaries (or any ancestor, sibling, descendant or spouse of any of such Person, or any trust, partnership or corporation in which any of such Persons has an economic interest in excess of five percent (5%) of the ownership interests therein), other than advances in the ordinary and usual course of business for reimbursable business expenses (as determined in accordance with the Company's established employee reimbursement policies and consistent with past practice). Except with respect to the personal guarantees by the Shareholder Representative set forth in Section 3.22(b) of the Company Schedule, none of the Shareholders has agreed to, or assumed, any obligation or duty to guaranty or otherwise assume or incur any obligation or liability of the Company or any of its Subsidiaries.

3.23 Certain Payments; Suitability.

(a) None of Company nor any of its Subsidiaries, nor to the Company's Knowledge, any of their respective corporate officers or directors, acting alone or together, has performed any of the following acts: (i) the making of any contribution, payment, remuneration, bribe, rebate, influence payment, payoff, kickback, gift or other form of economic benefit, whether in money, property, or services (a Payment), to or for the private use of any governmental official, employee or agent where the Payment or the purpose of the Payment was in violation of Applicable Law, or (ii) the establishment or maintenance of any unrecorded fund, asset or liability for any purpose or the making of any false or artificial entries on its books or records.

(b) None of the Company or any of its Subsidiaries, nor to the Company's Knowledge, any of their respective corporate officers or directors, acting alone or together: (i) has ever been indicted for or convicted of any felony or any crime involving fraud or misrepresentation; (ii) is subject to any outstanding Decree barring, suspending or otherwise limiting the right of the Company or any of its Subsidiaries or such Person to engage in any activity conducted as part of the business of the Company or any of its Subsidiaries as currently conducted; or (iii) to the Company's Knowledge, has ever been denied any Permit affecting the Company's or any of its Subsidiary's or such Person's ability to conduct any activity conducted as part of the business of the Company or any of its Subsidiaries.

3.24 Indemnification. Other than pursuant to its articles of incorporation or bylaws or other comparable organizational documents, neither the Company nor any of its Subsidiaries is a party to any material indemnification agreement with any of its present or former managers, officers, directors, employees or other Persons who serve or served in any other official capacity with the Company, any Subsidiary of the Company or any other enterprise at the request of the Company or any of its Subsidiaries.

3.25 Required Vote. The affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock, voting together or acting by written consent as a class, for the approval of this Agreement, is the only vote or action of the holders of any class or series of the Equity Interests of the Company necessary to adopt

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or approve this Agreement and the transactions contemplated hereby, which shall be satisfied in full by the delivery of the Company Shareholder Written Consent.

3.26 **Certain Approvals: Takeover Laws.** The Company, including the board of directors of the Company, has taken all action required to be taken by it in order to exempt this Agreement and the other Related Agreements and the transactions contemplated hereby and thereby from, and this Agreement and the other Related Agreements are exempt from, the requirements of all applicable moratorium, control share, fair price and other anti-takeover Applicable Laws (each a Takeover Law).

3.27 **Brokers and Finders Fees.** Except as set forth on Section 3.27 of the Company Schedule, no broker, finder, agent, investment banker, financial advisor or other Person is entitled to any broker's, finder's, agent's, investment banker's, financial advisor's or other similar fee or commission in connection with the Merger or any other transactions contemplated by this Agreement or any other Related Agreement (including for these purposes any inquiry of any sale of any Equity Interests of the Company considered in lieu thereof) based upon arrangements made by or on behalf of the Company, any of its Subsidiaries or any of the Shareholders.

3.28 **Ownership of Parent Equity Interests.** Neither the Company nor any of its Affiliates beneficially owns any Equity Interests of Parent (for avoidance of doubt, other than the Shareholders' right to acquire Parent Shares pursuant to the transactions contemplated hereby and the other Related Agreements), other than, in the case of the Shareholder Representative, the beneficial ownership of any Equity Interests of Parent as a result of his employment by Parent as of the date hereof. Neither the Company nor any of its Affiliates is, or has been within the two-year period immediately prior to the date of this Agreement, an interested shareholder of Parent as those terms are defined in any applicable Takeover Law.

**ARTICLE IV**

**REPRESENTATIONS AND WARRANTIES OF THE SHAREHOLDERS**

Each Shareholder hereby represents and warrants to Parent and Merger Sub as of the date hereof as follows:

4.1 **Ownership of Subject Shares.** Except as set forth on Section 4.1 of the Company Schedule, Shareholder has good and marketable title to the Equity Interests of the Company corresponding to Shareholder on Exhibit A hereto (with respect to any such Shareholder, the Subject Shares) free and clear of any and all Liens. Except for the Subject Shares, Shareholder does not own or have any interest in any other Equity Interests of the Company or any of its Subsidiaries.

4.2 **Authority.** Except as set forth on Section 4.2 of the Company Schedule, Shareholder has all requisite power and authority to execute and deliver this Agreement and all other Related Agreements to which it is or is to be a party and to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery by Shareholder of this Agreement and the other Related Agreements to which it is or is to be a party and the consummation by Shareholder of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of Shareholder (and for any Shareholder that is not a natural person, no additional corporate or trust proceedings on the part of Shareholder are necessary to authorize this Agreement or any other Related Agreement or the consummation of the transactions contemplated hereby or thereby). This Agreement and the other Related Agreements to which Shareholder is a party has been duly executed and delivered by Shareholder and, assuming the due authorization, execution and delivery by the Company, Parent and Merger Sub and any other counterparty thereto, constitutes a legal, valid and binding obligation of Shareholder, enforceable against Shareholder in accordance with its terms, except as (a) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting or relating to creditors' rights generally and (b) is subject to general principles of equity.

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4.3 **No Conflict.** Except as set forth on Section 4.3 of the Company Schedule, none of the execution, delivery or performance by Shareholder of this Agreement or any other Related Agreements to which it is or is to be a party, the consummation by Shareholder of the transactions contemplated hereby or thereby, or the compliance by Shareholder with any of the provisions hereof or thereof: (i) for any Shareholder that is not a natural person, violate or conflict with any provision of its certificate of incorporation or bylaws or other comparable organizational documents; (ii) violate, conflict with, or result in the breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or result in the termination of, or accelerate the performance required by or modification to the terms or conditions of, or result in a right of termination, acceleration or modification under, any Contract to which Shareholder is a party or by which Shareholder or any of its properties or assets may be bound; (iii) violate or conflict with any Applicable Law or Decree applicable to Shareholder or by which its properties or assets are bound; or (iv) result in the creation of any Lien upon any of the properties or assets of Shareholder.

4.4 **Investment.** Shareholder is not acquiring any Parent Shares with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act. Shareholder has been advised that the Parent Shares it will obtain as a result of the transactions contemplated hereby have not been registered under the Securities Act or any state securities laws and, therefore, cannot be resold unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from such registration requirements is available.

4.5 **S Corporation Status.** Shareholder is an eligible S corporation shareholder under Section 1361(b)(1)(B), Section 1361(c)(2) or Section 1361(c)(6) of the Code.

4.6 **Accredited Investor.** Shareholder is an accredited investor as defined in Regulation D under the Securities Act, is experienced in evaluating companies such as Parent, is able to independently evaluate the transactions contemplated by this Agreement, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment and has the ability to bear the economic risks of its investment.

4.7 **Ownership of Parent Equity Interests.** Except as set forth on Section 4.7 of the Company Schedule, neither Shareholder nor any of its Affiliates beneficially owns any Equity Interests of Parent (for avoidance of doubt, other than the right to acquire Parent Shares pursuant to the transactions contemplated hereby and the other Related Agreements), other than, in the case of the Shareholder Representative, the beneficial ownership of any Equity Interests of Parent as a result of his employment by Parent as of the date hereof. Neither Shareholder nor any of its Affiliates is, or has been within the two-year period immediately prior to the date of this Agreement, an interested shareholder of Parent as those terms are defined in any applicable Takeover Law.

**ARTICLE V**

**REPRESENTATIONS AND WARRANTIES OF PARENT**

Parent hereby represents and warrants to the Company and the Shareholders as of the date hereof as follows, it being understood that such representations and warranties are made subject to any exception thereto reasonably apparent in any disclosure set forth in any Parent SEC Reports filed by Parent with, or furnished by Parent to, the SEC at any time on or prior to the date hereof:

5.1 **Organization and Qualification.** Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Massachusetts. Merger Sub is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California. Each of Parent and Merger Sub has all requisite corporate or limited liability power and authority to own, lease and operate its properties and to carry on its business. Each of Parent and Merger Sub is duly qualified or licensed to do business and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business or the ownership,

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leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not have a Parent Material Adverse Effect. Each of Parent and Merger Sub has made available to the Company a true and correct copy of its articles of organization and bylaws or other comparable organizational documents, each as amended to date and in full force and effect on the date hereof.

**5.2 Subsidiaries.**

(a) Section 5.2(a) of the Parent Schedule sets forth a true and complete list of each Subsidiary of Parent, together with (i) the jurisdiction of formation of each such Subsidiary, (ii) the percentage of the outstanding Equity Interests of such Subsidiary owned by Parent or any of its other Subsidiaries, and (iii) if applicable, each other holder of Equity Interests of such Subsidiary. Neither Parent nor any of its Subsidiaries owns any Equity Interest in any Person other than the Subsidiaries set forth in Section 5.2(a) of the Parent Schedule. All Equity Interests of each Subsidiary of Parent owned by Parent or any of its other Subsidiaries are owned free and clear of all Liens other than Permitted Liens.

(b) Each Subsidiary of Parent is duly organized, validly existing and in good standing (to the extent applicable) under the Applicable Laws of its jurisdiction of formation. Each Subsidiary of Parent has all requisite power and authority to own, lease and operate its properties and to carry on its business. Each Subsidiary of Parent is duly qualified or licensed to do business and is in good standing (to the extent applicable) as a foreign organization in each jurisdiction in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not have a Parent Material Adverse Effect. Parent has made available to the Company a true and correct copy of the certificate of incorporation and bylaws or other comparable organizational documents of each Subsidiary of Parent, each as amended to date and in full force and effect on the date hereof.

(c) All of the outstanding share capital of each of Parent's Subsidiaries has been duly authorized and validly issued and is fully paid and non-assessable.

(d) There are no Subsidiaries of Merger Sub.

5.3 Authority. Each of Parent and Merger Sub has all requisite power and authority to execute and deliver this Agreement and all other Related Agreements to which it is or is to be a party and subject, in the case of the consummation of the Share Issuance and the Charter Amendment, to the receipt of the Parent Shareholder Approval, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery by each of Parent and Merger Sub of this Agreement and the other Related Agreements to which it is or is to be a party and the consummation by each of Parent and Merger Sub of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of each of Parent and Merger Sub, and no additional corporate proceedings on the part of Parent and Merger Sub are necessary to authorize this Agreement or any other Related Agreement or the consummation of the transactions contemplated hereby or thereby, other than in the case of the consummation of the Share Issuance and the Charter Amendment, obtaining the Parent Shareholder Approval. Without limiting the generality of the foregoing, (a) the Parent Board, acting upon the recommendation of the Special Committee, has duly and validly adopted resolutions (i) determining that this Agreement and the other Related Agreements to which it is or is to be a party and the Merger, the Share Issuance, the Charter Amendment and the other transactions contemplated hereby and thereby are advisable, fair to and in the best interests of Parent and the Parent Shareholders; (ii) approving this Agreement and the other Related Agreements to which it is or is to be a party and the Merger, the Share Issuance, the Charter Amendment and the other transactions contemplated hereby and thereby; and (iii) recommending that the Parent Shareholders approve the Share Issuance and the Charter Amendment at the Parent Shareholders Meeting, which resolutions have not been subsequently rescinded, modified or withdrawn in any way; and (b) the sole member of Merger Sub has duly and validly

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adopted resolutions and, simultaneously with the execution and delivery of this Agreement has executed and delivered (or immediately thereafter will execute and deliver), its written consent (i) determining that this Agreement and the other Related Agreements to which Merger Sub is or is to be a party and the Merger and the other transactions contemplated hereby and thereby are advisable, fair to and in the best interests of Merger Sub and its members; and (ii) approving this Agreement and the other Related Agreements to which it is or is to be a party and the Merger and the other transactions contemplated hereby and thereby, which resolutions have not been subsequently rescinded, modified or withdrawn in any way. This Agreement and the other Related Agreements to which Parent or Merger Sub is or is to be a party have been duly executed and delivered by each of Parent and Merger Sub, as appropriate, and, assuming the due authorization, execution and delivery by the Company and the Shareholders and any other counterparty thereto, constitutes a legal, valid and binding obligation of Parent and Merger Sub, as appropriate, enforceable against Parent and Merger Sub, as appropriate, in accordance with its terms, except as (a) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting or relating to creditors' rights generally, and (b) is subject to general principles of equity.

5.4 **No Conflict.** None of the execution, delivery or performance by Parent or Merger Sub of this Agreement or any other Related Agreements to which it is or is to be a party, the consummation by Parent or Merger Sub of the transactions contemplated hereby or thereby or the compliance by Parent or Merger Sub with any of the provisions hereof or thereof do or will: (i) violate or conflict with any provision of its certificate of incorporation or bylaws or other comparable organizational documents; (ii) violate or conflict with any provision of the certificate of incorporation or bylaws or other comparable organizational documents of any of Parent's Subsidiaries (other than Merger Sub); (iii) except as set forth in Section 5.4 of the Parent Schedule and subject to obtaining the Consents set forth in Section 5.5 of the Parent Schedule, violate, conflict with, or result in the breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or result in the termination of, or accelerate the performance required by or modification to the terms or conditions of, or result in a right of termination, acceleration or modification under, any Contract to which Parent or any of its Subsidiaries is a party or by which Parent, any of its Subsidiaries or any of their properties or assets may be bound; (iv) assuming compliance with the matters referred to in Section 5.5 of the Parent Schedule and, in the case of the consummation of the Share Issuance and the Charter Amendment, subject to obtaining the Parent Shareholder Approval, and the other approvals referenced in Section 5.3, as applicable, violate or conflict with any Applicable Law or Decree applicable to Parent or any of its Subsidiaries or by which any of their properties or assets are bound; or (v) result in the creation of any Lien upon any of the properties or assets of Parent or any of its Subsidiaries, except in the case of each of clauses (ii), (iii), (iv) and (v) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or Liens that would not have a Parent Material Adverse Effect.

5.5 **Governmental Consents.** Except as set forth in Section 5.5 of the Parent Schedule, no Consent of any Governmental Entity is required on the part of Parent or any of its Subsidiaries in connection with the execution, delivery or performance by Parent or Merger Sub of this Agreement or any other Related Agreement to which it is or is to be a party or the consummation by Parent or Merger Sub of the transactions contemplated hereby or thereby, except (a) the filing and recordation of the Certificate of Merger with the California Secretary of State, the filing and recordation of the Articles of Amendment with the Massachusetts Secretary of State and such filings with Governmental Entities to satisfy the Applicable Laws of states in which Parent and its Subsidiaries are qualified to do business; (b) such filings and approvals as may be required by any federal or state securities laws, including compliance with any applicable requirements of the Exchange Act; (c) compliance with any applicable requirements of the Antitrust Laws; (d) such filings and approvals as may be required by the rules and regulations of the SEC and the NYSE; and (e) such other Consents, the failure of which to obtain would not have a Parent Material Adverse Effect.

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(a) The authorized capital stock of Parent consists of (i) 40,000,000 shares of Parent Common Stock and (ii) 1,000,000 shares of preferred stock, par value \$1.00 per share, of Parent (the Parent Preferred Stock ). As of March 20, 2008: (A) 27,147,000 shares of Parent Common Stock were issued and outstanding, and (B) no shares of Parent Preferred Stock were issued and outstanding. All outstanding shares of Parent Common Stock are validly issued, fully paid, nonassessable and free of any preemptive rights. Since March 20, 2008, Parent has not issued any shares of Parent Capital Stock other than (i) pursuant to the exercise of options to purchase Parent Common Stock or the vesting of Parent RSUs outstanding as of March 20, 2008 or issued since that date in the ordinary course of business, (ii) pursuant to agreements existing as of the date hereof set forth in the Parent Schedule, or (iii) in the ordinary course of business in accordance with Section 6.2.

(b) As of March 20, 2008, Parent had reserved 2,509,506 shares of Parent Common Stock for issuance under the Parent Equity Plans. As of March 20, 2008, (i) 36,500 shares of Parent Common Stock were issuable upon the exercise of outstanding Parent Options (whether or not vested), and (ii) 925,001 shares of Parent Common Stock were issuable upon vesting of outstanding restricted stock units to acquire Parent Common Stock ( Parent RSUs ), and, since such date, Parent has not granted, committed to grant or otherwise created or assumed any obligation with respect to any Parent Options or Parent RSUs, other than as permitted by Section 6.2.

(c) All of the outstanding Equity Interests of Parent have been issued in compliance in all material respects with Applicable Law and the articles of organization and bylaws of Parent.

(d) Except as set forth on Section 5.6 of the Parent Schedule, neither Parent nor any of its Subsidiaries is a party to any Contract restricting the transfer of, relating to the voting of, requiring registration of, or granting any preemptive rights, anti-dilutive rights or rights of first refusal or similar rights with respect to any Equity Interests of Parent or any other shareholders agreement or other similar agreement restricting the election or appointment of directors of the Company.

**5.7 SEC Reports; Financial Statements.**

(a) Parent has timely filed or furnished (as applicable) all forms, reports and documents with the SEC that have been required to be so filed or furnished (as applicable) by it since January 1, 2005 under the Securities Act or the Exchange Act (all such forms, reports and documents, together with any other forms, reports or other documents filed or furnished (as applicable) by Parent with the SEC during such period, whether or not required to be so filed or furnished, the Parent SEC Reports ). Each Parent SEC Report complied as of its filing date in all material respects with the applicable requirements of the Securities Act or the Exchange Act, as the case may be, each as in effect on the date such SEC Report was filed. As of its filing date (or, if amended or superseded by a filing, on the date of such amended or superseded filing), each Parent SEC Report did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the principal executive officer and the principal financial officer of Parent (or each former principal executive officer and principal financial officer of Parent, as applicable) has made all certifications required by Rule 13a-14 or 15d-14 promulgated under the Exchange Act and Sections 302 and 906 of SOX with respect to the Parent SEC Reports. For purposes of the immediately preceding sentence, principal executive officer and principal financial officer shall have the meanings given to such terms in SOX.

(b) The Parent SEC Reports contain the audited consolidated balance sheets and the related audited consolidated income statements, changes in shareholders' equity and cash flow of Parent and its Subsidiaries as of and for the fiscal years ended December 31, 2005, 2006 and 2007 and the opinion of Deloitte & Touche LLP, Parent's independent auditor, thereon (the most recent audited balance sheet set forth therein Most Recent Parent Audited Balance Sheet and the date as of, the Most Recent Parent Fiscal Year End ; the financial statements referred to in this Section 5.7(b), the Parent Financial Statements ).

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(c) The Parent Financial Statements (i) were prepared in accordance with GAAP as in effect on the respective dates thereof applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto and except with respect to unaudited statements as permitted by the rules of the SEC for a Quarterly Report on Form 10-Q) and (ii) fairly present in accordance with GAAP (subject, in the case of the unaudited interim financial statements, to normal, recurring year-end audit adjustments that were not or are not expected to be, individually or in the aggregate, materially adverse to Parent) the consolidated financial position of Parent and its Subsidiaries as of the respective dates thereof and the consolidated results of their operations and cash flows for the respective periods then ended.

(d) Except as set forth on Section 5.7(d) of the Parent Schedule, Parent maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) access to assets is permitted only in accordance with management's general or specific authorization; and (iii) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as set forth on Section 5.7(d) of the Parent Schedule, since December 31, 2007, Parent's outside auditors and the audit committee of the board of directors of Parent have not been advised of (A) any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which adversely affect the Company's ability to record, process, summarize and report financial information, or (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

5.8 No Undisclosed Liabilities. Neither Parent nor any of Parent's Subsidiaries has any Liability that would be required by GAAP, as in effect on the date thereof, to be reflected on a consolidated balance sheet of Parent and its Subsidiaries except for (a) Liabilities reflected or reserved against in the Most Recent Parent Audited Balance Sheet; (b) Liabilities incurred in the ordinary course of business consistent with past practice since the Most Recent Parent Fiscal Year End; (c) Liabilities that arose under, or were incurred in connection with the transactions contemplated by, this Agreement; or (d) Liabilities that would not have a Parent Material Adverse Effect. Except as set forth on Section 5.8 of the Parent Schedule, neither Parent nor any of its Subsidiaries is a party or subject to, or has any commitment to become a party to any off-balance sheet arrangements (as defined in Item 303(a) of Regulation S-K).

### 5.9 Absence of Certain Changes.

(a) Since the Most Recent Parent Fiscal Year End, except for actions expressly contemplated by this Agreement or any other Related Agreement, expressly consented to in writing by the Company from and after the date hereof or set forth on Section 5.9 of the Parent Schedule, (i) the business of Parent and its Subsidiaries has been conducted, in all material respects, in the ordinary course consistent with past practice and (ii) there has not been a Parent Material Adverse Effect.

(b) Without limiting the generality of Section 5.9(a), Parent and its Subsidiaries have not since the Most Recent Parent Fiscal Year End and prior to the date of this Agreement taken any action, or failed to take any action, which if taken from and after the date hereof would be restricted by Section 6.2.

### 5.10 Compliance with Laws and Permits.

(a) Except with respect to matters that are the subjects of Section 5.18, Section 5.19 and Section 5.20, Parent and each of its Subsidiaries is and during the last three (3) years has been in compliance with all Applicable Laws and Decrees, except for such noncompliance that would not have a Parent Material Adverse Effect. None of Parent or any of its Subsidiaries has received any written, or the Knowledge of Parent, oral, notice (i) of any non-routine administrative, civil or criminal investigation or audit (other than Tax audits, which are address in Section 5.19) by any Governmental Entity relating to Parent or any of its Subsidiaries or (ii) from any Governmental Entity alleging that Parent or any of its Subsidiaries is not or has not been in compliance with

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any Applicable Law or Decree, that, if adversely determined (as to both subsections (i) and (ii) above), would have a material adverse effect on Parent.

(b) Except with respect to matters that are the subjects of Section 5.18, Section 5.19 and Section 5.20, Parent and each of its Subsidiaries has and during the last three (3) years has had in effect all Permits necessary for it to own, lease or otherwise hold and operate its properties and assets and to carry on its businesses and operations as now conducted, and no suspension or cancellation of any such Permits is pending or, to the Knowledge of Parent, threatened in writing, except for such lack of Permits, noncompliance, suspensions or cancellations that would not have a Parent Material Adverse Effect. Except with respect to matters that are the subjects of Section 5.18, Section 5.19 and Section 5.20, there are no defaults (with or without notice or lapse of time or both) under, violations of, or events giving rise to any right of termination, amendment or cancellation of, any such Permits, except for such defaults, violations, terminations, amendments or cancellations that would not have a Parent Material Adverse Effect.

5.11 Litigation. Except with respect to matters that are the subjects of Section 5.18, Section 5.19 and Section 5.20, and except as set forth in Section 5.11 of the Parent Schedule, there is no Legal Proceeding pending or, to the Knowledge of Parent, threatened, (a) against Parent, any of its Subsidiaries or any of their respective properties that (i) involves an amount in controversy in excess of \$1,000,000, or (ii) seeks to impose any material legal restraint on or prohibition against or limit the Surviving Entity's or any of its Affiliates' ability to operate the business of Parent and its Subsidiaries (including the Company and its Subsidiaries from and after the Effective Time) substantially as it was operated immediately prior to the date of this Agreement; (b) against any current director or officer of Parent or any of its Subsidiaries (in their respective capacities as such) or, to the Knowledge of Parent, any former director or officer of Parent or any of its Subsidiaries (in their respective capacities as such); or (c) against Parent or any of its Subsidiaries or any of their respective properties that challenges, or that has the effect of preventing, delaying, making illegal or otherwise materially interfering with, the Merger or any of the other transactions contemplated hereby. Neither Parent nor any of its Subsidiaries is subject to any outstanding Decree that materially impairs Parent's or such Subsidiary's ability to operate in the same manner it operates on the date hereof. Section 5.11 of the Parent Schedule sets forth, for each Legal Proceeding listed thereon, a brief description and the status thereof.

5.12 Assets. Parent and its Subsidiaries have (i) good and valid title to all of the assets and properties (whether real, personal or mixed, or tangible or intangible) material to the operation of their business, taken as a whole (including all assets and properties recorded on the Most Recent Parent Audited Balance Sheet, other than assets and properties disposed of in the ordinary course of business since the Most Recent Parent Fiscal Year End), free and clear of any Liens, other than Permitted Liens, and (ii) valid leasehold interests in, or any other valid rights under Contract to use, all of the assets and properties which Parent or any of its Subsidiaries lease or otherwise use, except where the failure to have such title or interest would not have a Parent Material Adverse Effect.

5.13 Material Contracts.

(a) Section 5.13 of the Parent Schedule lists, as of the date hereof, all of the Material Contracts to which Parent or any of its Subsidiaries is a party or that is otherwise binding on Parent, any of its Subsidiaries or any of the assets or property of Parent or any of its Subsidiaries (each such listed Material Contract or Material Contract otherwise required to be listed, or any Material Contract that would be required to be listed if entered into from and after the date hereof and prior to the Effective Time, a Parent Material Contract ).

(b) Each Parent Material Contract, other than any Parent Material Contract that by its terms has expired or been terminated since the date hereof, is valid and binding on Parent (and/or each Subsidiary of Parent party thereto) and, to the Knowledge of Parent, is valid and binding on each other party thereto and is in full force and effect, except as may be limited by bankruptcy, insolvency, reorganization, preference, fraudulent transfer, moratorium or similar laws relating to or affecting the rights and remedies of creditors and by general principles



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of equity regardless of whether considered in a proceeding in equity or at law. Neither Parent nor any of its Subsidiaries party thereto, nor, to the Knowledge of Parent, any other party thereto, is in breach of, or default under, any Parent Material Contract, and no event has occurred that with notice or lapse of time or both would constitute such a breach or default thereunder by, Parent or any of its Subsidiaries, or, to the Knowledge of Parent, any other party thereto, or would give rise to the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify any Parent Material Contract, except for such failures to be in full force and effect and such breaches, defaults or events that would not have a Parent Material Adverse Effect.

(c) Parent has made available to the Company true, accurate and complete copies of all Parent Material Contracts.

5.14 Government Contracts.

(a) Except as set forth on Section 5.14(a) of the Parent Schedule, with respect to each Government Contract of Parent: (i) each of Parent and its Subsidiaries has complied in all material respects with all material terms and conditions and all Applicable Laws; (ii) no written notice has been received by either Parent or any of its Subsidiaries (and, to the Knowledge of Parent, none has been threatened) alleging that the Parent, any of its Subsidiaries, or any director, officer or employee of Parent or any of its Subsidiaries, is in material breach or violation of any Applicable Law or contractual requirement thereunder; and (iii) no written notice of termination has been received by Parent or any of its Subsidiaries thereunder.

(b) Except as set forth in Section 5.14(b) of the Parent Schedule, no Governmental Entity nor any prime contractor, subcontractor or vendor has asserted in writing any material claim or initiated any material dispute proceeding against Parent or any of its Subsidiaries relating to any Government Contract of Parent or Government Bid of Parent, nor is Parent or any of its Subsidiaries asserting any material claim or initiating any material dispute proceeding directly or indirectly concerning any such Government Contract or Government Bid.

(c) With respect to each Government Contract of Parent and Government Bid of Parent, except as set forth in Section 5.14(c) of the Parent Schedule:

(i) there are no assignments of revenues or anticipated revenues pursuant to the federal Assignment of Claims Act, 31 U.S.C. § 3727;

(ii) all written representations and certifications submitted by Parent or any of its Subsidiaries in order to induce the award of a Government Contract or to induce payments under a Government Contract were current, accurate and complete in all respects as of their respective effective dates;

(iii) to the Knowledge of Parent, all material pricing discounts have been properly reported to and credited to the customer;

(iv) Parent and its Subsidiaries have maintained systems of internal controls that are and have been in material compliance with all requirements of such Government Contracts and Applicable Law;

(v) to the Knowledge of Parent, as of the date hereof, Parent and its Subsidiaries fully expect and intend to fully perform all of the obligations under (and Parent and its Subsidiaries have all material Governmental Entity authorizations and all material third-party certifications and approvals required in order to perform) each such Government Contract;

(vi) neither Parent nor any of its Subsidiaries, nor any of their respective partners, principals or officers (nor, to the Knowledge of Parent, any of its or its Subsidiaries employees, agents or consultants) have possessed or have accessed confidential or non-public information to which they were not lawfully entitled; and

(vii) Parent and each of its Subsidiaries and, to the Knowledge of Parent, each of their respective officers or directors is in compliance with Applicable Laws and other administrative and contractual restrictions

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associated with the employment of (or discussions concerning possible employment with) current or former officials or employees of a Governmental Entity (regardless of the branch of government), in each case, in all respects material to Parent and its Subsidiaries taken as a whole.

(d) Except as set forth in Section 5.14(d) of the Parent Schedule, with respect to each Government Contract of Parent and Government Bid of Parent, neither Parent nor any of its Subsidiaries, nor, to the Knowledge of Parent, any of their respective corporate directors or officers (i) is or during the past five (5) years has been under investigation, indictment or audit by, any Governmental Entity, nor (ii) has conducted or initiated any investigation or made any disclosure to a Governmental Entity with respect to any alleged irregularity, misstatement or non-compliance, other than, in each of the cases in clause (i) or (ii), for routine audits or non-material disclosures.

(e) Neither Parent nor any of its Subsidiaries, nor, to the Knowledge of Parent, any of their respective shareholders, officers or directors, is or within the past three (3) years has been debarred, suspended or deemed non-responsible or otherwise formally excluded from participation in the award of a Government Contract of any Person, nor is there any pending debarment, suspension or exclusion proceeding that has been initiated against Parent or any of its Subsidiaries or, to the Knowledge of Parent, any of their predecessors, shareholders, officers or directors.

(f) Neither Parent nor any of its Subsidiaries, nor, to the Knowledge of Parent, any of their respective officers or directors, have (i) used any funds of Parent or its Subsidiaries to offer or provide any unlawful contribution, payment, kickback, bribe, gift, gratuity or entertainment, or (ii) to the Knowledge of Parent made any unlawful expenditures relating to political activity. Neither Parent nor any of its Subsidiaries has received written (or, to the Knowledge of Parent, oral) notice of any Unlawful Payment, and Parent and its Subsidiaries have adequate financial controls to detect and prevent any such Unlawful Payments. Parent and its Subsidiaries have been in compliance in all material respects and have, during all periods for which any applicable statute of limitations has not expired, complied with the applicable provisions of the U.S. Foreign Corrupt Practices Act, as amended, and other foreign Applicable Laws relating to corrupt practices and similar matters.

(g) Section 5.14(g) of the Parent Schedule sets forth as of the date hereof a current, complete and accurate list of all of Government Contracts of Parent that are currently active in performance. Unless listed on Section 5.14(g) of the Parent Schedule as being closed, each Government Contract of Parent listed on Section 5.14(g) of the Parent Schedule is in full force and effect and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, preference, fraudulent transfer, moratorium or similar laws relating to or affecting the rights and remedies of creditors and by general principles of equity regardless of whether considered in a proceeding in equity or law. No Government Contract of Parent listed on Section 5.14(g) of the Parent Schedule was awarded on the basis of a Preferred Bidder Status. Parent has made available to Parent complete and correct copies of those Government Contracts of Parent listed on Section 5.14(g) of the Parent Schedule, together with all draft or final audit reports from a Governmental Entity or other customer as received by Parent pertaining to such Government Contracts.

(h) Section 5.14(h) of the Parent Schedule sets forth as of the date set forth in such schedule (or if not indicated as of the date hereof) a current, accurate and complete list of each of the Government Bids which Parent or its Subsidiaries have submitted to a Governmental Entity (or a prime contractor) for which no notice of award decision has been received by Parent or its Subsidiaries.

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5.15 Real Property.

(a) Section 5.15(a) of the Parent Schedule sets forth the address and a general description of all material real property owned by Parent or any of its Subsidiaries as of the date of this Agreement (the Parent Owned Real Property ). With respect to all Parent Owned Real Property:

(i) Parent or one of its Subsidiaries has good and marketable fee simple title, free and clear of all Liens, other than Permitted Liens;

(ii) except as set forth on Section 5.15(a) of the Parent Schedule and except for Permitted Liens, neither Parent nor any of its Subsidiaries has leased or otherwise granted to any Person the right to use or occupy such Parent Owned Real Property or any material portion thereof; and

(iii) there are no outstanding options, rights of first offer or rights of first refusal to purchase such Parent Owned Real Property or any portion thereof or interest therein.

(b) Section 5.15(b) of the Parent Schedule contains a complete and accurate list of the following:

(i) the address of each item of material Leased Real Property used or occupied by Parent or any of its Subsidiaries (the Parent Leased Real Property and together with the Parent Owned Real Property, the Parent Real Property ) pursuant to a Lease (the Parent Leases ), and a true and complete list of all Parent Leases. Parent has made available to the Company a true and complete copy of each of the Parent Leases and, in the case of any oral Parent Lease, a written summary of the terms of such Parent Lease;

(ii) all Contracts or options granted by Parent or any of its Subsidiaries, or contractual obligations on the part of Parent or any of its Subsidiaries, to purchase or acquire any interest in real property material to Parent and its Subsidiaries taken as a whole.

(c) Except as set forth on Section 5.15(c) of the Parent Schedule, with respect to each Parent Lease, (i) such Lease is valid and binding on Parent (and/or each Subsidiary of Parent party thereto) and, to the Knowledge of Parent, is valid and binding on each other party thereto and is in full force and effect, except as may be limited by bankruptcy, insolvency, reorganizations, preference, fraudulent transfer, moratorium or similar laws relating to or affecting the rights and remedies of creditors and by general principles of equity regardless of whether considered in a proceeding in equity or law; (ii) neither Parent nor any of its Subsidiaries party thereto, nor, to the Knowledge of Parent, any other party thereto, is in breach of, or default under, such Lease, and no event has occurred that with notice or lapse of time or both would constitute such a breach or default thereunder by, Parent or any of its Subsidiaries, or, to the Knowledge of Parent, any other party thereto, or would give rise to the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify such Lease; (iii) neither Parent or any of its Subsidiaries owes, or has any obligation to owe in the future, any brokerage commissions or finder's fees with respect to such Lease; (iv) neither Parent nor any of its Subsidiaries has collaterally assigned or granted any other security interest in such Lease or any interest therein; and (v) there are no Liens, other than Permitted Liens, on the estate or interest created by such Lease, except in the case of clauses (i) through (v) as would not have a Parent Material Adverse Effect.

(d) Except as would not materially interfere with the use or operation thereof, the Parent Real Property has received all required approvals of Governmental Entities (including Permits and a certificate of occupancy or other similar certificate permitting lawful occupancy of the Parent Real Property) required in connection with the operation thereof. Except as would not materially interfere with the use or operation of any Parent Real Property, all buildings, structures, improvements, fixtures, building systems and equipment, and all components thereof, included in the Parent Real Property, including leasehold improvements (the Parent Improvements ), are, to the Knowledge of Parent, (x) in good operating condition and repair, subject to ordinary wear and tear, (y) sufficient for the operation of Parent's or its Subsidiaries' business as presently conducted, and (z) in conformity with all Applicable Laws.

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(e) Except as set forth on Section 5.15(e) of the Parent Schedule, neither Parent nor any of its Subsidiaries has received any written notice that it is in violation of any zoning, use, occupancy or building regulation, ordinance or other Applicable Law or Decree relating to the Parent Real Property, and there is no condemnation, expropriation or other proceeding in eminent domain pending, or to the Knowledge of the Company, threatened, affecting the Parent Real Property or any portion thereof or interest therein.

5.16 Intellectual Property. Section 5.16 of the Parent Schedule contains a complete and accurate list of all of the following that constitutes material Parent Intellectual Property (identifying for each, the owner, and, if not exclusively owned by Parent, the license pursuant to which Parent has the right to use such Intellectual Property): (i) patented or registered Intellectual Property, (ii) pending patent applications or applications for registration of Intellectual Property, (iii) all computer software (other than commercially available, off-the-shelf software with a replacement cost and/or annual license fee of less than \$100,000), and (iv) trade or corporate names and material unregistered trademarks and service marks. Except as would not have a Parent Material Adverse Effect:

(a) Parent and/or each of its Subsidiaries owns, free and clear of all Liens, other than Permitted Liens, or has a valid and enforceable license to use, all Parent Intellectual Property;

(b) the Parent Intellectual Property is valid, enforceable and subsisting and no loss of any Parent Intellectual Property is reasonably foreseeable;

(c) Parent and each of its Subsidiaries have taken all customary actions necessary to maintain, protect, and enforce the Parent Intellectual Property, including the confidentiality of its trade secrets and other confidential information;

(d) the conduct of the business of Parent or any of its Subsidiaries does not infringe, misappropriate or otherwise conflict with, and has not within the last six (6) years infringed, misappropriated or otherwise conflicted with, any Intellectual Property of any third party, and to the Knowledge of Parent, no third party is infringing, misappropriating or otherwise conflicting with, or has within the last six (6) years infringed, misappropriated or otherwise conflicted with, any of the Parent Intellectual Property; and

(e) there are no claims against Parent or any of its Subsidiaries that were either made within the past six (6) years or are presently pending or, to Parent's Knowledge, threatened, contesting the ownership or use of any of the Parent Intellectual Property.

5.17 Insurance. Parent and its Subsidiaries have all policies of insurance covering Parent, its Subsidiaries or any of their respective employees, properties or assets, which are reasonably customary for the operation of its business. All such insurance policies are in full force and effect, no notice of cancellation has been received, and there is no existing default or event which, with the giving of notice or lapse of time or both, would constitute a default, by any insured thereunder, except for such defaults that would not have a Parent Material Adverse Effect. There is no material claim by Parent or any of its Subsidiaries or any Affiliate thereof pending under any of such insurance policies as to which coverage has been denied or disputed by the underwriters of such policies other than for routine matters in the ordinary course of business. There is no pending claim that will exceed the policy limits under any such insurance policy. None of Parent or any of its Subsidiaries maintain, sponsor, participate in or contribute to any self-insurance plan or program.

5.18 Environmental Matters.

(a) Each of Parent, its Subsidiaries and their respective predecessors and Affiliates have at all times complied and are in compliance with all Environmental Laws, except for such noncompliance that would not have a Parent Material Adverse Effect.

(b) Without limiting the generality of the foregoing, each of Parent, its Subsidiaries and their respective predecessors and Affiliates have obtained and at all times complied with, and are in compliance with, all Permits that are required pursuant to Environmental Law for the occupation of their facilities and the operation of their business, except for such noncompliance that would not have a Parent Material Adverse Effect.

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(c) Neither Parent, nor any of its Subsidiaries, nor their respective predecessors or Affiliates has received any written or, to Parent's Knowledge, oral notice, report or other information regarding any actual or alleged violation of Environmental Law, or any Liability, including any investigatory, remedial or corrective obligations, relating to any of them or their facilities or the conduct of their respective businesses arising under Environmental Law, except for such violations or Liability that would not have a Parent Material Adverse Effect.

(d) Neither Parent, nor any of its Subsidiaries, nor their respective predecessors or Affiliates has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, manufactured, distributed, exposed any person to, or Released any substance, including without limitation any Hazardous Materials, or owned, operated conducted their business at or upon any property or facility (and no such property or facility is contaminated by any such substance) so as to give rise to any current or future material Liabilities, including any material Liability for fines, penalties, response costs, corrective action costs, personal injury, property damage, natural resources damages or attorneys' fees, pursuant to the CERCLA, the Solid Waste Disposal Act or any other Environmental Law.

(e) Neither Parent nor any of its Subsidiaries has assumed, undertaken, or provided an indemnity with respect to any material Liability, including any obligation for corrective or remedial action, of any Person relating to any Environmental Law.

(f) Parent has made available to the Company true and correct copies of all environmental audits, reports and assessments, and all other documents materially bearing on environmental, health or safety liabilities, in each case relating to the past or current operations, facilities or business of Parent and its Subsidiaries, in each case which are in its possession or under its reasonable control.

5.19 Tax Matters. Except as set forth on Section 5.19 of the Parent Schedule:

(a) Parent and each of its Subsidiaries have filed or have caused to be filed all material Tax Returns required to be filed by it (the Parent Tax Returns ). All such Parent Tax Returns were correct and complete in all material respects.

(b) All material Taxes due and owing by Parent and each of its Subsidiaries (whether or not shown on any Parent Tax Return) have been paid or adequate reserves therefor have been established on the Most Recent Parent Audited Balance Sheet in accordance with GAAP.

(c) Parent and each of its Subsidiaries have timely withheld or collected all material Taxes that they were required to withhold or collect under Applicable Law from their employees, customers, shareholders, creditors and others from whom they are or were required to withhold Taxes and have timely paid all such withheld amounts to the appropriate taxing authorities.

(d) Neither Parent nor any of its Subsidiaries is currently the subject of an audit, judicial proceeding or other examination in respect of Taxes by the tax authorities of any nation, state or locality (and, to the Knowledge of Parent, no such audit, judicial proceeding or other examination is contemplated). Parent has made available to the Company correct and complete copies of all examination reports, closing agreements and statements of deficiencies assessed against or agreed to by Parent or any of its Subsidiaries filed or received since December 31, 2003.

(e) Neither Parent nor any of its Subsidiaries has consented in writing to extend the statutory period of limitations applicable to any claim for, or the period for the collection or assessment of, Taxes of Parent or any of its Subsidiaries due for any taxable period.

(f) Neither Parent nor any of its Subsidiaries has received written notice of any claim by any taxing authority in a jurisdiction where such Parent or Subsidiary does not file Parent Tax Returns that such Parent or Subsidiary is or may be subject to taxation by that jurisdiction.

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- (g) No material Liens for Taxes exist with respect to any of the assets or properties of Parent or any of its Subsidiaries, except for Permitted Liens.
- (h) Neither Parent nor any of its Subsidiaries is a party to or bound by any Tax indemnity agreement, Tax sharing agreement or Tax allocation agreement.
- (i) Neither Parent nor any of its Subsidiaries is a party to any Contract which, individually or collectively with respect to any Person, could give rise to the payment of any amount that would not be deductible by Parent or any of its Subsidiaries by reason of Section 280G of the Code (or any corresponding provision of United States or non-United States federal, state and local Tax law) as a result of the transactions contemplated hereby or by any other Related Agreement.
- (j) Neither the Company nor any of its Subsidiaries has engaged in any listed transaction, or any reportable transaction the principal purpose of which was tax avoidance, within the meaning of Section 6011, Section 6111 and Section 6112 of the Code.
- (k) Neither Parent nor any of its Subsidiaries is, or has been, a United States real property holding company (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.
- (l) In the past five (5) years, neither Parent nor any of its Subsidiaries has been either a controlled corporation or a distributing corporation (within the meaning of Section 355(a)(1)(A) of the Code) with respect to a transaction that was described in, or intended to qualify as a Tax-free transaction pursuant to Section 355 of the Code.
- (m) Since December 31, 2004, each plan, program, arrangement or agreement that constitutes in any part a nonqualified deferred compensation plan within the meaning of Section 409A of the Code has been operated and maintained in accordance with the requirements of IRS Notice 2005-1 and a good faith, reasonable interpretation of Section 409A of the Code with respect to amounts deferred (within the meaning of Section 409A of the Code) after December 31, 2004.

5.20 Labor Matters. Except as set forth on Section 5.20 of the Parent Schedule, as it relates to Parent and its Subsidiaries: (i) as of the date hereof, there is no collective bargaining agreement or relationship covering employees of Parent or any of its Subsidiaries; (ii) there are no pending or, to the Knowledge of Parent, threatened, material labor or employment controversies or disputes, including any Legal Proceeding alleging alleged unlawful harassment, employment discrimination, unfair labor practices, unpaid wages, unsafe workplace, unlawful wage or immigration practices, or unlawful tax withholding practices; (iii) there is no strike, slowdown, work stoppage, lockout or other material labor dispute underway, or threatened, and no such labor dispute has occurred within the past three (3) years; (iv) Parent and its Subsidiaries are in compliance with all laws affecting labor and employment, except for instances of noncompliance that would not, individually or in the aggregate, result in a Parent Material Adverse Effect; (v) with respect to the transactions contemplated by this Agreement, all bargaining obligations with any employee representative have been or prior to Closing will be satisfied; and (vi) within the past three (3) years, neither Parent nor any of its Subsidiaries has implemented any employee layoffs in violation of the WARN Act, and no such action will be implemented without advance notification to the Company. Neither Parent nor any of its Subsidiaries party thereto, nor, to the Knowledge of Parent, any other party thereto, is in breach of, or default under, any collective bargaining agreement or relationship covering employees of Parent or any of its Subsidiaries, and no event has occurred that with notice or lapse of time or both would constitute such a breach or default thereunder by, Parent or any of its Subsidiaries, or, to the Knowledge of Parent, any other party thereto, or would give rise to the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify any such collective bargaining contract, except for such failures to be in full force and effect and such breaches, defaults or events that would not have a Parent Material Adverse Effect.

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5.21 Employment Matters.

(a) Section 5.21(a) of the Parent Schedule sets forth each material Parent Employee Plan. Neither Parent nor any of its Subsidiaries has any stated plan, intention or commitment to establish any new Parent Employee Plan, to modify any Parent Employee Plan (except to the extent required by Applicable Law or to conform any such Parent Employee Plan to the requirements of any Applicable Law, in each case as previously disclosed to the Company in writing), or to enter into or terminate any Parent Employee Plan.

(b) Parent has made available to the Company (i) correct and complete copies of each Parent Employee Plan and each summary plan description and summary material modification thereto; (ii) the three (3) most recent annual reports (Series 5500 and all schedules thereto), if any, required under ERISA or the Code in connection with each Parent Employee Plan or related trust; (iii) if any Parent Employee Plan is funded, the most recent annual and periodic accounting of Parent Employee Plan assets; and (iv) each trust, insurance policy or other funding mechanism which implements each Parent Employee Plan.

(c) Parent and each of its Subsidiaries has performed in all material respects all obligations required to be performed by it under each Parent Employee Plan and each Parent Employee Plan has been established, maintained, funded and operated in accordance with its terms, the terms of any applicable collective bargaining agreements and in compliance with all Applicable Law, including ERISA and the Code. Each Parent Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is so qualified and has either received a favorable determination letter or opinion letter from the IRS with respect to such Parent Employee Plan as to its qualified status under the Code, and to the Knowledge of the Company, nothing has occurred since the date of the last such determination as to each Parent Employee Plan which has resulted or is likely to result in the revocation of such determination or which requires or could require action under the compliance resolution programs of the IRS to preserve such qualification. There are no Legal Proceedings pending, or, to the Knowledge of Parent, threatened or anticipated (other than routine claims for benefits) against any Parent Employee Plan or fiduciary thereto or against the assets of any Parent Employee Plan. Each Parent Employee Plan can be amended, terminated or otherwise discontinued after the Effective Time in accordance with its terms, without liability to Parent, any of its Subsidiaries, the Company or any of its ERISA Affiliates (other than ordinary administration expenses typically incurred in a termination event). There are no audits, inquiries investigations or proceedings pending or, to the Knowledge of Parent, threatened by the IRS, DOL or other Governmental Entity with respect to any Parent Employee Plan. All annual reports and other filings required by the DOL or the IRS to be made with respect to each Parent Employee Plan have been timely made.

(d) None of Parent, any of its Subsidiaries or ERISA Affiliates now, or has ever, maintained, established, sponsored, participated in, or contributed to, any plan that is subject to Title IV of ERISA or Section 412 of the Code, other than Multiemployer Plans. None of Parent, any of its Subsidiaries or ERISA Affiliates has incurred, nor do they reasonably expect to incur, any liability with respect to any transaction described in Section 4069 of ERISA. Except as set forth on Section 5.21(d) of the Parent Schedule, no Parent Employee Plan is a multiple employer plan as defined in Section 210 of ERISA.

(e) None of the Parent, any of its Subsidiaries or any of its ERISA Affiliates (i) has incurred any Liability on account of a partial withdrawal or complete withdrawal from any Multiemployer Plan (as described in Sections 4205 and 4203 of the Code, respectively), no such Liability has been asserted, and there are no events or circumstances which have occurred which could result in any such partial or complete withdrawal; or (ii) is bound by any contract or agreement or has any obligation or Liability under Section 4204 of ERISA .

(f) All contributions and premium payments required to be made to or with respect to each Parent Employee Plan prior to the Effective Time have been timely made in accordance with each such Parent Employee Plan and Applicable Law and all contributions and premium payments not yet due to or with respect to each Parent Employee Plan have been made or properly accrued. There have been no Prohibited Transactions

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with respect to any Parent Employee Plan which could result in a material liability to the Parent. The Parent, its Subsidiaries and any ERISA Affiliates have complied with the requirements of COBRA in all material respects.

(g) No Parent Employee Plan provides, or has any Liability to provide, life insurance, medical or other employee welfare benefits to any Employee upon his or her retirement or termination of employment for any reason, except as may be required by Applicable Law.

(h) The execution and delivery by Parent of this Agreement and any other Related Agreement to which Parent is a party, and the consummation of the transactions contemplated hereby and thereby, will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under, any Parent Employee Plan, trust or loan that could reasonably be expected to result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Employee.

5.22 Interested Party Transactions.

(a) Except as set forth on Section 5.22 of the Parent Schedule, to the Knowledge of Parent, no officer or director of Parent or any of its Subsidiaries (nor any ancestor, sibling, descendant or spouse of any of such Person, or any trust, partnership or corporation in which any of such Persons has an economic interest in excess of five percent (5%) of the ownership interests therein), has, directly or indirectly, (i) an economic interest in any Person that furnishes or sells, or has furnished or sold during or since January 1, 2007, services or products that Parent or any of its Subsidiaries, furnishes or sells; (ii) an economic interest in any Person that purchases from or sells or furnishes to, Parent or any of its Subsidiaries, any goods or services; or (iii) a beneficial interest in any material Contract to which Parent or any of its Subsidiaries is a party or by which they or their properties are bound; provided, however, that ownership of debt or equity interests not exceeding one percent (1%) of the outstanding voting stock of an entity shall not be deemed an economic interest in any entity for purposes of this Section 5.22.

(b) Except as set forth on Section 5.22 of the Parent Schedule, there are no material receivables of Parent or any of its Subsidiaries owing by any officer or director of Parent or any of its Subsidiaries (or any ancestor, sibling, descendant or spouse of any of such Person, or any trust, partnership or corporation in which any of such Persons has an economic interest in excess of five percent (5%) of the ownership interests therein), other than advances in the ordinary and usual course of business for reimbursable business expenses (as determined in accordance with Parent's established employee reimbursement policies and consistent with past practice).

5.23 Certain Payments; Suitability.

(a) None of Parent nor any of its Subsidiaries, nor to Parent's Knowledge, any of their respective corporate officers or directors, acting alone or together, has performed any of the following acts: (i) the making of any Payment, to or for the private use of any governmental official, employee or agent where the Payment or the purpose of the Payment was in violation of Applicable Law, or (ii) the establishment or maintenance of any unrecorded fund, asset or liability for any purpose or the making of any false or artificial entries on its books or records.

(b) None of Parent or any of its Subsidiaries, nor to Parent's Knowledge, any of their respective corporate officers or directors, acting alone or together: (i) has ever been indicted for or convicted of any felony or any crime involving fraud or misrepresentation; (ii) is subject to any outstanding Decree barring, suspending or otherwise limiting the right of Parent or any of its Subsidiaries or such Person to engage in any activity conducted as part of the business of Parent or any of its Subsidiaries as currently conducted; or (iii) to Parent's Knowledge, has ever been denied any Permit affecting Parent's or any of its Subsidiaries or such Person's ability to conduct any activity conducted as part of the business of Parent or any of its Subsidiaries.



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5.24 Indemnification. Other than pursuant to its certificate of incorporation or bylaws or other comparable organizational documents, neither Parent nor any of its Subsidiaries is a party to any material indemnification agreement with any of its present or former managers, officers, directors, employees or other Persons who serve or served in any other official capacity with Parent, any Subsidiary of Parent or any other enterprise at the request of Parent or any of its Subsidiaries.

5.25 Required Vote. The (a) affirmative vote of the holders of a majority of the outstanding shares of the Parent Common Stock, voting together as a class, for the approval of the Charter Amendment, and (b) the affirmative vote of a majority of all shares of Parent Common Stock casting votes (provided that the total votes cast represent over 50% in interest of all Parent Capital Stock entitled to vote) at the Parent Shareholders Meeting, for the approval of the issuance of shares of Parent Common Stock pursuant to the Merger (the Share Issuance ; the affirmative votes contemplated by clause (a) and clause (b) hereof, the Parent Shareholder Approval ), are the only votes or action of the holders of any class or series of the Equity Interests of Parent necessary to adopt or approve this Agreement and the transactions contemplated hereby.

5.26 Certain Approvals; Takeover Laws. Assuming the truth and accuracy of Section 3.28 and Section 4.7, Parent, including the Parent Board, has taken all action required to be taken by it in order to exempt this Agreement and the other Related Agreements and the transactions contemplated hereby and thereby from, and this Agreement and the other Related Agreements are exempt from, the requirements of all applicable Takeover Laws.

5.27 Brokers and Finders Fees. Except for UBS Securities LLC, no broker, finder, agent, investment banker, financial advisor or other Person is entitled to any broker s, finder s, agent s, investment banker s, financial advisor s or other similar fee or commission in connection with the Merger or any other transactions contemplated by this Agreement or any other Related Agreement based upon arrangements made by or on behalf of Parent or any of its Subsidiaries.

5.28 Opinion of Financial Advisor. The Special Committee has received the opinion of its financial advisor, UBS Securities LLC, dated the date hereof, to the effect that, as of such date and subject to the matters set forth in the opinion, the Exchange Ratio provided for in the Merger is fair, from a financial point of view, to Parent, and, as of the date of this Agreement, such opinion has not been withdrawn, revoked or modified.

5.29 Merger Sub. Parent owns all of the issued and outstanding equity interests of Merger Sub. Merger Sub was formed solely for the purpose of engaging in the transactions contemplated by this Agreement and the other Related Agreements, and Merger Sub has not conducted any business or activity other than in connection with the Merger and the other transactions contemplated by this Agreement and the other Related Agreements. Except for obligations or liabilities incurred in connection with its incorporation and the transactions contemplated by this Agreement and the other Related Agreements, Merger Sub has not incurred, directly or indirectly, any obligations or liabilities or engaged in any business activities of any type or kind whatsoever.

**ARTICLE VI**

**COVENANTS**

6.1 Conduct of the Company and its Subsidiaries.

(a) From the date hereof until the earlier of the Effective Time or the termination of this Agreement in accordance with its terms, except as contemplated hereby, as set forth on Section 6.1 of the Company Schedule, as required by Applicable Law or to the extent that Parent shall otherwise consent to in writing (which consent shall not be unreasonably withheld, conditioned or delayed), the Company will and will cause its Subsidiaries to use their respective commercially reasonable efforts to, and Shareholders will cause the Company and its Subsidiaries to use their commercially reasonable efforts to, (i) operate, invest in and conduct its business in all

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material respects in the ordinary course consistent with past practice; (ii) continue, in a manner consistent with the past practice, to (A) keep available the services of its respective officers, (B) pay accounts payable and collect accounts receivable, (C) comply in all material respects with Applicable Law and Permits, (D) maintain with financially responsible insurance companies insurance in such amounts and against such risks and losses as are customary for comparable companies engaged in its business, (E) maintain and preserve intact its business in all material respects, and (F) maintain in all material respects the ordinary and customary relationships of its business with its suppliers, customers, subcontractors, licensees, licensors, consultants and others having business relationships with the Company and its Subsidiaries; and (iii) prevent a material breach of any representations or warranty of the Company set forth herein.

(b) Without limiting the generality of Section 6.1(a), from the date hereof until the earlier of the Effective Time or the termination of this Agreement in accordance with its terms, except as contemplated hereby, as set forth on Section 6.1 of the Company Schedule, as required by Applicable Law or to the extent that Parent shall otherwise consent to in writing (which consent shall not be unreasonably withheld, conditioned or delayed), the Company will not, and will cause its Subsidiaries not to, and Shareholders will cause the Company and its Subsidiaries not to:

(i) issue, deliver or sell or authorize or propose the issuance, delivery or sale of any Equity Interests;

(ii) except as contemplated by Section 6.20, split, combine, repurchase or reclassify any Equity Interests, declare, set aside or pay any dividend or other distribution (whether in cash, shares or property or any combination thereof) in respect of any Equity Interests (other than the payment of any dividend by a wholly-owned Subsidiary), or make any other actual, constructive or deemed distribution in respect of any Equity Interests;

(iii) except as contemplated by Section 6.20, (A) incur, assume or otherwise become liable for any Debt (including by way of guarantee or the issuance and sale of Debt securities or rights to acquire Debt securities) or (B) enter into or modify any Contract with respect to the foregoing (other than consents to the transactions contemplated by this Agreement), other than in each such case in the ordinary course of business consistent with past practices;

(iv) incur or commit to any material capital expenditures outside of the ordinary course of business consistent with past practices (excluding, for the avoidance of doubt, any expenditures in connection with the Company's performance of services for any third-party);

(v) cancel, compromise, release or assign any material Liability owed to it or any material claims held by it, other than in the ordinary course of business consistent with past practice;

(vi) enter into or accelerate, terminate, modify, renew or cancel any Company Material Contract other than (in the case of a Material Contract of the kind described in clause (i), (ii), (iii), (v), (vii) or (xi) of the definition thereof set forth in Section 10.1) in the ordinary course of business consistent with past practice;

(vii) sell, lease, transfer, license, mortgage, pledge or otherwise dispose of or encumber, except for any Permitted Liens, or grant any option to do any of the foregoing, any of its material properties or assets (other than the sale of assets or grant of such options in the ordinary course of business consistent with past practice); provided, however, that the Company may transfer the Distributable Property prior to the Closing Date provided that it does not incur any material liabilities in connection therewith;

(viii) acquire or agree to acquire by merging or consolidating with, or acquire or agree to acquire by purchasing a substantial portion of the Equity Securities or assets of, or in any other manner, any business or Person (other than acquisitions of assets with a value not greater than \$5,000,000 in the aggregate);

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- (ix) implement any layoffs that could implicate the WARN Act;
- (x) wind-up, liquidate or dissolve, adopt a plan of complete or partial wind-up, liquidation or dissolution or resolutions providing for or authorizing such wind-up, liquidation or dissolution;
- (xi) enter into, consummate, or adopt resolutions providing for or authorizing, any merger, consolidation, restructuring, recapitalization or other reorganization, other than the transactions contemplated herein;
- (xii) amend its certificate of incorporation or bylaws or other comparable organizational documents;
- (xiii) modify or amend any right of any holder of outstanding Equity Interests of the Company of any of its Subsidiaries;
- (xiv) change its auditor or materially change its methods of accounting in effect as of the date hereof except as required by changes in GAAP or Applicable Law or by a Governmental Entity;
- (xv) make, change, or rescind any Tax election, change any accounting period, adopt or change any accounting method for Tax purposes, file any amended Tax Return, enter into any closing agreement, settle or compromise any Tax claim or assessment relating to any of the Company or its Subsidiaries, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to any of the Company or its Subsidiaries, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax, if, in all cases, such election, adoption, change, amendment, agreement, settlement, surrender, consent or other action would have the effect of increasing the Tax liability of any of the Company or its Subsidiaries for any period ending after the Closing Date or decreasing any Tax attribute of any of the Company or its Subsidiaries existing on the Closing Date by a material amount;
- (xvi) take any action or make or revoke any election that would result in the termination of the Company's status as a validly electing S corporation within the meaning of Section 1361 and 1362 of the Code;
- (xvii) (A) settle or compromise any Legal Proceeding on terms which require it or any of its Subsidiaries to pay, incur or assume any Liability in excess of \$5,000,000;
- (xviii) (A) enter into, amend, modify or renew any Contract regarding employment, consulting, severance or similar arrangements with any of its directors, officers, employees or consultants, or grant any salary, wage or other increase in compensation or increase any employee benefit (including incentive, profit sharing or bonus payments), other than, in the case of employees or consultants, in the ordinary course of business consistent with past practice; (B) grant any severance or termination pay or benefit to any directors, officers, officers, employees or consultants except pursuant to written agreements or severance policies in effect of the date hereof and disclosed in the applicable Company Schedules, other than, in the case of employees or consultants, other than in the ordinary course of business consistent with past practice not related to the transactions contemplated hereby; or (C) adopt or amend any Company Employee Plan except to the extent required by Applicable Law or to the extent the adoption or amendment of such Company Employment Plan does not materially increase the aggregate cost of the Company's Employee Plans;
- (xix) except as disclosed in the Company Schedule, enter into or modify any transaction or arrangement with, or for the benefit of any of its Affiliates or any of its or their directors, former directors, officers or shareholders; or
- (xx) agree in writing or otherwise to take any of the foregoing actions.

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6.2 Conduct of Parent and its Subsidiaries.

(a) From the date hereof until the earlier of the Effective Time or the termination of this Agreement in accordance with its terms, except as contemplated hereby, as set forth on Section 6.2 of the Parent Schedule, as required by Applicable Law or to the extent that the Company shall otherwise consent to in writing (which consent shall not be unreasonably withheld, conditioned or delayed), Parent will and will cause its Subsidiaries to use their respective commercially reasonable efforts to, (i) operate, invest in and conduct its business in all material respects in the ordinary course consistent with past practice; (ii) continue, in a manner consistent with the past practice, to (A) keep available the services of its respective officers, (B) pay accounts payable and collect accounts receivable, (C) comply in all material respects with Applicable Law and Permits, (D) maintain with financially responsible insurance companies insurance in such amounts and against such risks and losses as are consistent with past practice or customary for comparable companies engaged in its business, (E) maintain and preserve intact its business in all material respects, and (F) maintain in all material respects the ordinary and customary relationships of its business with its suppliers, customers, subcontractors, licensees, licensors, consultants and others having business relationships with Parent and its Subsidiaries; and (iii) prevent a material breach of any representations or warranty of Parent set forth herein.

(b) Without limiting the generality of Section 6.2(a), from the date hereof until the earlier of the Effective Time or the termination of this Agreement in accordance with its terms, except as contemplated hereby, as set forth on Section 6.2 of the Parent Schedule, as required by Applicable Law or to the extent that the Company shall otherwise consent to in writing (which consent shall not be unreasonably withheld, conditioned or delayed), Parent will not, and will cause its Subsidiaries not to:

(i) issue, deliver or sell or authorize or propose the issuance, delivery or sale of any Equity Interests other than in the ordinary course consistent with past practice or pursuant to issued and outstanding Equity Interests;

(ii) split, combine, repurchase or reclassify any Equity Interests, declare, set aside or pay any dividend or other distribution (whether in cash, shares or property or any combination thereof) in respect of any Equity Interests (other than the payment of any dividend by a wholly-owned Subsidiary), or make any other actual, constructive or deemed distribution in respect of any Equity Interests;

(iii) acquire or agree to acquire by merging or consolidating with, or acquire or agree to acquire by purchasing a substantial portion of the Equity Securities or assets of, or in any other manner, any business or Person (other than acquisitions of assets with a value not greater than \$5,000,000 in the aggregate);

(iv) wind-up, liquidate or dissolve, adopt a plan of complete or partial wind-up, liquidation or dissolution or resolutions providing for or authorizing such wind-up, liquidation or dissolution;

(v) enter into, consummate, or adopt resolutions providing for or authorizing, any merger, consolidation, restructuring, recapitalization or other reorganization, other than the transactions contemplated herein;

(vi) amend its articles of organization or bylaws or other comparable organizational documents;

(vii) make, change, or rescind any Tax election, change any accounting period, adopt or change any accounting method for Tax purposes, file any amended Tax Return, enter into any closing agreement, settle or compromise any Tax claim or assessment relating to any of Parent or its Subsidiaries, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to any of Parent or its Subsidiaries, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax, if, in all cases, such election, adoption, change, amendment, agreement, settlement, surrender, consent or other action would have the effect of increasing the Tax liability of

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any of Parent or its Subsidiaries for any period ending after the Closing Date or decreasing any Tax attribute of any of Parent or its Subsidiaries existing on the Closing Date by a material amount;

(viii) modify or amend any right of any holder of outstanding Equity Interests of Parent or Merger Sub; or

(ix) agree in writing or otherwise to take any of the foregoing actions.

**6.3 No Solicitation by the Company or Shareholders; Shareholder Lock-Up.**

(a) **No Solicitation.** At all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement or the Effective Time, neither the Company nor any Shareholder shall, and the Company and each Shareholder shall use its reasonable best efforts to cause its Representatives not to:

(i) solicit, initiate, knowingly encourage, or knowingly induce the making, submission or announcement of, an Acquisition Proposal with respect to the Company;

(ii) furnish to any Person any non-public information relating to the Company or its Subsidiaries in connection with an Acquisition Proposal with respect to the Company (for avoidance of doubt, it being understood that the foregoing shall not prohibit the Company or any of its Representatives from furnishing any non-public information to any actual or potential customer, supplier, distributor, subcontractor, licensor, licensee, partner or other Person with which it has or may have business dealings in the ordinary course of business consistent with past practice (solely in such capacity) or to a Governmental Entity);

(iii) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal with respect to the Company (for avoidance of doubt, it being understood that the foregoing shall not prohibit the Company or any of its Representatives from making a Person making an Acquisition Proposal with respect to the Company aware of the restrictions of this **Section 6.3(a)(iii)** in response to the receipt of such an Acquisition Proposal); or

(iv) enter into any agreement, letter of intent or other similar instrument with any Person providing for an Acquisition Transaction with respect to the Company.

(b) **Notice of Acquisition Proposal.** In addition to the obligations of the Company set forth in **Section 6.3(a)**, the Company and each Shareholder shall promptly, and in all cases within one (1) Business Day of its receipt, advise Parent and the Special Committee orally (to be confirmed in writing as soon as practicable thereafter) of the receipt by the Company or such Shareholder, as appropriate, prior to the Effective Time or termination of this Agreement of (i) any Acquisition Proposal with respect to the Company, or (ii) any request for information or inquiry that is reasonably to be expected to lead to an Acquisition Proposal with respect to the Company, including the material terms and conditions of such Acquisition Proposal, request or inquiry, and in either case any developments with respect thereto.

(c) **Company Shareholder Written Consent.** The Shareholders shall cause the Company Shareholder Written Consent substantially in the form of the draft thereof previously provided to Parent to be executed and delivered to the Company and Parent simultaneously with or immediately after the execution and delivery of this Agreement.

(d) **Shareholder Lock-Up.** From the date hereof until the earlier of the Effective Time or the termination of this Agreement:

(i) **No Transfer of Equity Interests of the Company.** Each Shareholder agrees that it shall not transfer, sell, offer, exchange, pledge or otherwise dispose of or encumber any of its Equity Interests of the Company (except pursuant to the transactions contemplated hereby and the other Related Agreements).

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(ii) No Voting Trusts. Each Shareholder agrees that it will not, and will not permit any Person under Shareholder's control to, deposit any of its Equity Interests of the Company in a voting trust, grant any proxies with respect to its Equity Interests of the Company or subject any of its Equity Interests of the Company to any arrangement with respect to the voting of its Equity Interests of the Company (except pursuant to the transactions contemplated hereby and the other Related Agreements).

(iii) No Proxy Solicitations. Each Shareholder agrees that it shall not, and shall not permit any Person under Shareholder's control to, (a) solicit proxies or become a participant in a solicitation (as such terms are defined in Regulation 14A under the Exchange Act) in opposition to or competition with the consummation of any of the transactions contemplated hereby or otherwise encourage or assist any party in taking or planning any action which could compete with, impede, interfere with or attempt to discourage any of the transactions contemplated hereby or inhibit the timely consummation of any of the transactions contemplated hereby in accordance with the terms hereof; (b) directly or indirectly encourage, initiate or cooperate in a shareholders' vote or action by consent of the Parent's shareholders in opposition to or in competition with the consummation of any of the transactions contemplated hereby; or (c) become a member of a group (as such term is used in Rule 13d-5 under the Exchange Act) with respect to any voting securities of Parent for the purpose of opposing or competing with the consummation of any of the transactions contemplated hereby.

(iv) No Acquisition of Parent Equity Interests. Each Shareholder agrees that it shall not acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, Equity Interests of Parent (except pursuant to the transactions contemplated hereby and the other Related Agreements or other agreements or employment arrangements in effect as of the date hereof).

6.4 No Solicitation by Parent.

(a) No Solicitation. At all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement or the Effective Time, Parent shall not, and shall use its reasonable best efforts to cause its Representatives not to:

(i) solicit, initiate, knowingly encourage, or knowingly induce the making, submission or announcement of, an Acquisition Proposal with respect to Parent;

(ii) furnish to any Person any non-public information relating to Parent or its Subsidiaries in connection with an Acquisition Proposal with respect to Parent (for avoidance of doubt, it being understood that the foregoing shall not prohibit Parent or any of its Representatives from furnishing any non-public information to any actual or potential customer, supplier, distributor, subcontractor, licensor, licensee, partner or other Person with which it has or may have business dealings in the ordinary course of business consistent with past practice (solely in such capacity) or to a Governmental Entity);

(iii) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal with respect to Parent (for avoidance of doubt, it being understood that the foregoing shall not prohibit Parent or any of its Representatives from making a Person making an Acquisition Proposal with respect to Parent aware of the restrictions of this Section 6.4(a)(iii) in response to the receipt of such an Acquisition Proposal); or

(iv) enter into any agreement, letter of intent or other similar instrument with any Person providing for an Acquisition Transaction with respect to Parent except as expressly permitted by this Agreement;

provided, however, that notwithstanding the foregoing, at any time prior to the Effective Time or termination of this Agreement, the Parent Board (or the Special Committee on its behalf) may, directly or indirectly through Representatives, (A) engage or participate in discussions or negotiations with any Person that has made a *bona fide* Acquisition Proposal with respect to Parent that the Parent Board or the Special Committee reasonably determines in good faith (after consultation with a financial advisor of nationally recognized standing and its

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outside legal counsel) constitutes or is reasonably likely to lead to a Superior Proposal and/or (B) furnish to any such Person any non-public information relating to Parent or any of its Subsidiaries pursuant to a confidentiality agreement the terms of which, taken as a whole, are no less favorable to Parent than those contained in the Confidentiality Agreement; provided that in the case of any action taken pursuant to the foregoing clauses (A) or (B), (x) the Parent Board or the Special Committee received such Acquisition Proposal other than as a result of a material breach or violation of the terms of this Section 6.4(a); (y) at least forty-eight (48) hours prior to engaging or participating in any such discussions or negotiations with, or furnishing any non-public information to, such Person, Parent gives the Company written notice of its receipt of such Acquisition Proposal and of Parent's (or the Special Committee's) intention to engage or participate in discussions or negotiations with