PERINI CORP
Form 10-Q
August 08, 2007

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

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from _________ to _________

Commission File Number 1-6314

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

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

73 MT. WAYTE AVENUE, FRAMINGHAM, MASSACHUSETTS 01701-9160
(Address of principal executive offices)
(Zip code)

(508) 628-2000
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer ____ Accelerated filer X Non-Accelerated filer ____

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

The number of shares of Common Stock, $1.00 par value per share, of registrant outstanding at August 3, 2007 was 26,928,746.

PERINI CORPORATION AND SUBSIDIARIES

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Part I. Financial Information

Item 1. Financial Statements (Unaudited)

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

JUNE 30, 2007 (UNAUDITED) AND DECEMBER 31, 2006

(In Thousands)

	JUNE 30, 2007	DEC. 31, 2006
ASSETS		
Cash and Cash Equivalents (Note 3)	$ 342,971	$ 225,504
Accounts Receivable, including retainage	849,860	747,626
Costs and Estimated Earnings in Excess of Billings	77,202	96,341
Other Current Assets	6,771	8,782
Total Current Assets	$ 1,276,804	$ 1,078,253
Property and Equipment, less Accumulated Depreciation of $36,073 in 2007 and $32,216 in 2006	$ 92,563	$ 83,811
Goodwill	$ 26,268	$ 26,268
Other Assets	$ 7,153	$ 7,660
	$ 1,402,788	$ 1,195,992
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Maturities of Long-term Debt	$ 9,435	$ 14,607
Accounts Payable, including retainage	793,808	641,604
Billings in Excess of Costs and Estimated Earnings	169,096	155,392
Deferred Income Taxes	3,089	853
Accrued Expenses	65,533	71,845
Total Current Liabilities	$ 1,040,961	$ 884,301
Long-term Debt, less current maturities included above	$ 16,116	$ 34,135
Other Long-term Liabilities	$ 39,451	$ 33,697
Contingencies and Commitments (Note 4)		
Stockholders Equity:		
Series A Junior Participating Preferred Stock	$ -	$ -
Stock Purchase Warrants	-	461
Common Stock	26,906	26,554
Additional Paid-in Capital	151,729	139,450
Retained Earnings	151,317	101,086
	$ 329,952	$ 267,551
Accumulated Other Comprehensive Loss	(23,692)	(23,692)
Total Stockholders' Equity	$ 306,260	$ 243,859
	$1,402,788	$1,195,992

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

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PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)

(In Thousands, Except Per Share Data)

	THREE MONTHS ENDED JUNE 30,		**SIX MONTHS ENDED JUNE 30,**	
	2007	**2006**	**2007**	**2006**
Revenues (Note 8)	$ 1,151,620	$ 712,462	$ 2,138,976	$ 1,325,225
Cost of Operations	1,086,718	675,446	2,016,177	1,255,887
Gross Profit	$ 64,902	$ 37,016	$ 122,799	$ 69,338
General and Administrative Expenses (Note 5)	24,181	28,543	49,338	46,414
INCOME FROM CONSTRUCTION OPERATIONS (Note 8)	**$ 40,721**	**$ 8,473**	**$ 73,461**	**$ 22,924**
Other Income, Net	2,800	250	5,156	673
Interest Expense	(431)	(920)	(1,121)	(1,867)
Income before Income Taxes	$ 43,090	$ 7,803	$ 77,496	$ 21,730
Provision for Income Taxes	(15,512)	(3,242)	(27,265)	(9,079)
NET INCOME	**$ 27,578**	**$ 4,561**	**$ 50,231**	**$ 12,651**
Less:				
Accrued Dividends on $21.25 Preferred Stock (Note 7)	-	(68)	-	(166)
Excess of fair value over carrying value upon redemption of $21.25 Preferred Stock (Note 7)	-	(253)	-	(253)
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	$ 27,578	$ 4,240	$ 50,231	$ 12,232
BASIC EARNINGS PER COMMON SHARE (Note 6)	$ 1.03	$ 0.16	$ 1.88	$ 0.47
DILUTED EARNINGS PER COMMON SHARE (Note 6)	$ 1.01	$ 0.16	$ 1.84	$ 0.46
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Note 6):				
BASIC	26,713	26,182	26,676	26,137
Effect of Dilutive Stock Options, Warrants and Restricted Stock Units Outstanding	668	503	575	523
DILUTED	27,381	26,685	27,251	26,660

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

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PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2007

(In Thousands)

	Stock Purchase Warrants	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance - December 31, 2006	$ 461	$ 26,554	$ 139,450	$ 101,086	$ (23,692)	$ 243,859
Net income	-	-	-	50,231	-	50,231
Common Stock options and stock purchase warrants exercised	(461)	186	824	-	-	549
Excess income tax benefit from stock-based compensation	-	-	4,114	-	-	4,114
Restricted Stock compensation expense	-	-	7,361	-	-	7,361
Issuance of Common Stock, net	-	166	(20)	-	-	146
Balance - June 30, 2007	$ -	$ 26,906	$ 151,729	$ 151,317	$ (23,692)	$ 306,260

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

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(In Thousands)

	SIX MONTHS ENDED JUNE 30, 2007	2006
Cash Flows from Operating Activities:		
Net income	$ 50,231	$ 12,651
Adjustments to reconcile net income to net cash provided from (used by) operating activities:		
Depreciation and amortization	5,779	5,137
Restricted stock compensation expense	7,361	9,190
Excess income tax benefit from stock-based compensation	(4,114)	-
Deferred income taxes	(699)	9,191
Gain on sale of equipment	(161)	(364)
Loss on land held for sale, net	243	86
Increase in other long-term liabilities	8,689	848
Other non-cash items, net	(27)	5
Cash provided from (used by) changes in components of working capital other than cash, current maturities of long-term debt and land held for sale, net	83,104	(67,640)
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	$ 150,406	$ (30,896)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	$ (15,567)	$ (8,590)
Proceeds from sale of property and equipment	2,049	1,347
Investment in land held for sale, net	(243)	6
Proceeds from sale of available-for-sale securities	116	-
Investment in other activities	68	-
NET CASH USED BY INVESTING ACTIVITIES	$ (13,577)	$ (7,237)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	$ 5,387	$ 2,599
Reduction of long-term debt	(28,578)	(6,856)
Redemption of $21.25 Preferred Stock, including payment of accrued dividends	-	(8,843)
Proceeds from exercise of common stock options and stock purchase warrants	549	492
Excess income tax benefit from stock-based compensation	4,114	-
Issuance of common stock, net	146	(377)
Deferred debt costs	(980)	-
NET CASH USED BY FINANCING ACTIVITIES	$ (19,362)	$ (12,985)
Net Increase (Decrease) in Cash	117,467	(51,118)
Cash at Beginning of Year	225,504	139,848
Cash at End of Period	$ 342,971	$ 88,730
Supplemental Disclosure of Cash Paid During the Period For:		
Interest	$ 1,168	$ 2,004
Income taxes	$ 27,356	$ 525
Supplemental Disclosure of Non-cash Transactions:		
Common stock issued for services	$ 5,966	$ 7,396

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

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PERINI CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(1) Basis of Presentation

The unaudited consolidated condensed financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. In the opinion of management, the accompanying unaudited consolidated condensed financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of June 30, 2007 and December 31, 2006, results of operations for the three month and six month periods ended June 30, 2007 and 2006, and cash flows for the six months ended June 30, 2007 and 2006. The results of operations for the six months ended June 30, 2007 may not be indicative of the results that may be expected for the year ending December 31, 2007 because, among other reasons, such results can vary depending on the timing of progress achieved and changes in estimated profitability of projects being reported.

(2) Significant Accounting Policies

The significant accounting policies followed by the Company and its subsidiaries in preparing its consolidated financial statements are set forth in Note (1) to such financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006. The Company has made no significant change in these policies during 2007, except as noted below.

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), an interpretation of FASB Statement No. 109, on January 1, 2007. As a result of the implementation of FIN 48, there was no impact on total liabilities or stockholders equity. At the adoption date, the Company had $2.5 million of gross unrecognized tax benefits. At June 30, 2007, the Company had $1.4 million of gross unrecognized tax benefits. Of these amounts, $1.2 million as of January 1, 2007 and $0.5 million as of June 30, 2007 (both net of the federal benefit on state issues and interest on federal issues) represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods. The decrease of $1.1 million from January 1 to June 30, 2007 in the gross unrecognized tax benefits is the result of a favorable settlement with a state tax agency. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2007, the Company has approximately $0.1 million accrued for interest and zero accrued for penalties related to uncertain tax positions. The tax years 2003 through 2006 remain open to examination by the major taxing jurisdictions in which the Company has filed tax returns.

(3) Cash and Cash Equivalents

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

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

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

(3) Cash and Cash Equivalents (continued)

prudent. Cash distributions received by the Company from its construction joint ventures are then available for general corporate purposes. At June 30, 2007 and December 31, 2006 cash and cash equivalents consisted of the following (in thousands):

	June 30, 2007	**Dec. 31, 2006**
Corporate cash and cash equivalents (available for general corporate purposes)	$ 313,822	$ 189,558
Company's share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	29,149	35,946
	$ 342,971	$ 225,504

(4) Contingencies and Commitments

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

During 1995, a joint venture, Tutor-Saliba-Perini, or the Joint Venture, in which Perini Corporation, or Perini, is the 40% minority partner and Tutor-Saliba Corporation, or Tutor-Saliba, of Sylmar, California is the 60% managing partner, filed a complaint in the Superior Court of the State of California for the County of Los Angeles against the Los Angeles County Metropolitan Transportation Authority, or LAMTA, seeking to recover costs for extra work required by LAMTA in connection with the construction of certain tunnel and station projects. In 1999, LAMTA countered with civil claims under the California False Claims Act (CFCA) against the Joint Venture, Tutor-Saliba and Perini jointly and severally (together, TSP). Ronald N. Tutor, the Chairman and Chief Executive Officer of Perini since 2000, is also the chief executive officer and the sole stockholder of Tutor-Saliba.

Claims concerning the construction of LAMTA projects were tried in 2001. During the trial, based on the Joint Venture's alleged failure to comply with the court's discovery orders, the judge issued terminating sanctions that resulted in a substantial judgment against TSP.

TSP appealed and, in January, 2005, the State of California Court of Appeal reversed the trial court's entire judgment and found that the trial court judge had abused his discretion and had violated TSP's due process rights, and had imposed impermissibly overbroad terminating sanctions. The Court of Appeal also directed the trial court to dismiss LAMTA's claims that TSP had violated the Unfair Competition Law ("UCL") because LAMTA lacked standing to bring such a claim, and remanded the Joint Venture's claims against LAMTA for extra work required by LAMTA and LAMTA's counterclaim under the CFCA against TSP to the trial court for further proceedings, including a new trial. LAMTA petitioned the Court of Appeal for rehearing and the California Supreme Court for review. Both petitions were denied and the case was remanded and reassigned for a new trial.

In 2006, upon remand, the trial court allowed LAMTA to amend its cross-complaint to add the District Attorney as a party in order to have a plaintiff with standing to assert a UCL claim, and allowed a UCL claim to be added. The court also ordered that individual issues of the case be tried separately.

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

(4) Contingencies and Commitments (continued)

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

In December 2006, in the trial of the first issue, which arose out of a 1994 change order involving a Disadvantaged Business Enterprise subcontractor pass-through claim, the jury found that the Joint Venture had submitted two false claims for payment and had breached its contract with LAMTA and awarded LAMTA $111,651 in damages. The court has awarded penalties of $10,000 for each of the two claims and will treble the damages awarded by the Jury. A final judgment with respect to these claims will not be entered until the entire case has been resolved and is subject to appeal. In addition, the court will determine whether there were any violations of the UCL, but has deferred its decision on those claims until the case is completed. Each such violation may bear a penalty of up to $2,500.

In February 2007, the court granted a Joint Venture motion and precluded LAMTA in future proceedings from presenting its claims that the Joint Venture breached its contract and violated the CFCA by allegedly frontloading the so-called B Series contracts. The court ordered further briefing on LAMTA s UCL claim on this issue.

The court has indicated that it would like the parties to resolve the entire case through mediation. Mediation sessions were held on April 16, 2007 and July 10, 2007, and discussions are continuing.

The ultimate financial impact of the lawsuit is not yet determinable. Therefore, no provision for loss, if any, has been recorded in the financial statements.

(b) Redondo/Perini Joint Venture vs. Siemens Transportation Matter

This was a binding arbitration proceeding arising out of a contract between the Redondo/Perini Joint Venture, or RPJV, a joint venture in which Perini and Redondo Construction Corp., or Redondo, each have a 50% interest and the Siemens Transportation Partnership, S.E., Puerto Rico, or STP. STP constructed a public metropolitan passenger rail transportation project for the Commonwealth of Puerto Rico and RPJV was responsible for the design and construction of a portion of the project.

In March 2002, Redondo filed a petition for reorganization under Chapter 11 in U.S. Bankruptcy Court for the District of Puerto Rico. In December 2002, RPJV filed an arbitration demand against STP seeking the recovery of additional costs related to design changes and the late completion of the design. Thereafter, STP filed a counter-demand against RPJV seeking the recovery of damages allegedly related to defects in design and construction and the late completion of RPJV's work along with the repayment for alleged advances previously paid to RPJV.

In October 2004, STP filed suit against Perini in New York State court seeking enforcement against Perini of a Guaranty Agreement that allegedly guarantees the performance and payment obligations of the subject RPJV/Siemens contract in an amount to be determined at trial, but not less than $27.0 million. This action was stayed pending the arbitration.

In March 2006, the arbitration panel issued a final award on Phase I of the arbitration, awarding RPJV approximately $16.2 million on its claim and awarding STP approximately $0.5 million on its claim, for a net award to RPJV of approximately $15.7 million, payable in thirty days. The arbitrators also deferred decision on an additional amount of approximately $15.5 million of RPJV s Phase I claims until the conclusion of Phase II. Judgment was entered, as of September 29, 2006, in favor of RPJV and against STP in the sum of approximately $16.0 million, including prejudgment interest from April 13, 2006 through September 29, 2006, totaling approximately $0.3 million. Interest accrued on the judgment from

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PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(4) Contingencies and Commitments (continued)

(b) Redondo/Perini Joint Venture vs. Siemens Transportation Matter **(continued)**

September 29, 2006 at 9% per annum. STP filed an appeal of the judgment. There was to be a second phase of the arbitration, which included claims which existed on or after September 29, 2003. The parties exchanged statements of claim in July, 2006. RPJV s claim was approximately $23.2 million, plus interest. STP s claim was $17.5 million. Discovery started, but no hearings were held.

Pursuant to an agreement dated as of June 1, 2007, RPJV and STP settled their disputes. All proceedings between the parties have been discontinued. The settlement did not have a significant impact on the Company s results of operations.

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

Perini/Kiewit/Cashman Joint Venture, or PKC, a joint venture in which Perini holds a 56% interest and is the managing partner, is currently pursuing a series of claims for additional contract time and/or compensation against the Massachusetts Highway Department, or MHD, for work performed by PKC on a portion of the Central Artery/Tunnel project in Boston, Massachusetts. During construction, MHD ordered PKC to perform changes to the work and issued related direct cost changes with an estimated value, excluding time delay and inefficiency costs, in excess of $100 million. In addition, PKC encountered a number of unforeseen conditions during construction that greatly increased PKC's cost of performance.

Certain of PKC's claims have been presented to a Disputes Review Board, or DRB, which consists of three construction experts chosen by the parties. To date, the DRB has issued five binding awards on PKC s claims. It has ruled that PKC is entitled to additional compensation for the first portion of its contract time delay claim in the amount of $17.4 million. In 2002, the Massachusetts Superior Court approved PKC's request to confirm the DRB's $17.4 million award. The MHD appealed the Superior Court decision to the Massachusetts Appeals Court, which affirmed the Superior Court s confirmation of the DRB s award in May, 2006.

The DRB has also ruled on a binding basis that PKC is entitled to four additional compensation awards, less credits, totaling $39.8 million for impacts and inefficiencies caused by MHD to certain of PKC s work. The first two such awards, totaling $17.1 million, have been confirmed by the Superior Court and were not appealed. MHD has filed actions in the Superior Court seeking to vacate the other two awards, and PKC has answered, seeking to confirm them. These actions have not yet been heard. PKC has taken the position that it is entitled to interest on each of the five binding DRB awards as provided in the awards. It appears that MHD will object to payment of any interest.

It is PKC s position that the remaining claims to be decided by the DRB on a binding basis have an anticipated value of approximately $104 million (exclusive of interest). MHD disputes that the remaining claims before the DRB may be decided on a binding basis. Hearings before the DRB began in October, 2006 and are scheduled to occur throughout the remainder of 2007 and into 2008.

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

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

(4) Contingencies and Commitments (continued)

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

In August 2002, the Massachusetts Attorney General's office, pursuant to its authority under the state s False Claims Act, served a Civil Investigative Demand ("CID") on Perini and the other joint venture partners. The CID sought the production of certain construction claims documentation in connection with the Central Artery/Tunnel Contract No. C11A1. In September 2004, the Attorney General's office presented a list of items that it believed constitutes possible false claims. PKC made a responsive presentation to the Attorney General's office in January, 2005. PKC vigorously denies that it submitted any false claims and is cooperating with the Attorney General's office in the ongoing investigation.

(d) Investigation by U.S. Attorney for Eastern District of New York

In 2001, the Company received a grand jury subpoena for documents in connection with an investigation by the U.S. Attorney s Office for the Eastern District of New York. The investigation concerns contracting with disadvantaged, minority, and women-owned businesses in the New York City area construction industry. The Company has cooperated with the U. S. Attorney s Office in the investigation and produced documents pursuant to the subpoena in 2001 and 2002. In August 2006 and May 2007, the Company received two additional grand jury subpoenas for documents in connection with the same investigation. The Company subsequently produced documents pursuant to those subpoenas, and continues to cooperate in the investigation. It is the Company s understanding that lawyers for two former Perini Civil Division employees also are in separate discussions with the U.S. Attorney s Office related to the investigation. On January 8, 2007, the Company was informed by the U.S. Attorney's Office that the Company meets the definition of subject in the United States Attorney's Manual. That definition is "a person whose conduct is within the scope of the grand jury's investigation. At the same time, the U.S. Attorney's Office also wrote to the Company that "Perini has been cooperatively engaged in discussions with this office and that we are considering a civil settlement with regard to Perini. The Company is unable to evaluate the potential impact of the investigation at this time.

(5) Stock-Based Compensation

In May 2004, the Company s stockholders approved the adoption of the 2004 Stock Option and Incentive Plan which provided that up to 1,000,000 shares of the Company s common stock would be available for the granting of stock-based compensation awards to key executives, employees and directors of the Company. In May 2006, the Company s stockholders approved an amendment to the plan that increased the number of shares of the Company s common stock available for issuance thereunder from 1,000,000 shares to 3,000,000 shares. The plan allows these stock-based compensation awards to be granted in a variety of forms, including stock options, stock appreciation rights, restricted stock awards, unrestricted stock awards, deferred stock awards and dividend equivalent rights.

On April 5, 2006 and May 18, 2006, the Compensation Committee of the Company s Board of Directors approved the grant of 1,295,000 restricted stock units to certain of its executive officers and employees under the 2004 Stock Option and Incentive Plan. As of June 30, 2007, 315,000 restricted stock units have vested and accordingly 315,000 shares of common stock have been issued. 615,000 of the remaining restricted stock units generally vest in three equal installments on January 1 of 2008, 2009 and 2010, and 365,000 generally vest on January 1, 2010. Of the restricted stock units granted, 745,000 (including 165,000 of the restricted stock units that have vested) are subject only to the satisfaction of service requirements; the remaining 550,000 restricted stock units granted (including 150,000 of the restricted stock units that have vested) are subject to the satisfaction of both service requirements and achievement of certain pre-established pretax income performance criteria. Upon

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PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) Stock-Based Compensation (continued)

vesting, each restricted stock unit will be exchanged for one share of the Company s common stock. The grant date fair value of these restricted stock units is $40.7 million based on the closing price of the Company s common stock on the dates of grant. For the three month and six month periods ended June 30, 2007, the Company recognized compensation expense of $3.7 million and $7.4 million, respectively, related to these restricted stock units and these amounts are included as a component of General and Administrative Expenses in the Consolidated Condensed Statements of Income. At June 30, 2007, there was $16.8 million of unrecognized compensation cost related to the non-vested restricted stock units outstanding which, absent significant forfeitures in the future, will be recognized over a weighted average period of 2.1 years.

A summary of stock-based compensation awards related to the restricted stock units outstanding under the Company s 2004 Stock Option and Incentive Plan for the six months ended June 30, 2007 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Shares Available to Grant
Outstanding at January 1, 2007	1,145,000	$31.43	1,405,000
Issued	(165,000)	$31.55	-
Outstanding at June 30, 2007	980,000	$31.41	1,405,000

The aggregate intrinsic value of the restricted stock units outstanding at June 30, 2007 is approximately $60.3 million.

In May 2000, the Company s stockholders approved the adoption of the Special Equity Incentive Plan which provided that up to 3,000,000 shares of the Company s common stock would be available for the granting of nonqualified stock options to key executives, employees and directors of the Company. Options are granted at not less than the fair market value on the date of grant, as defined. Options generally expire 10 years from the date of grant. Options outstanding under the Special Equity Incentive Plan are generally exercisable in three equal annual installments, on the date of grant and on the first and second anniversary of the date of grant. As of June 30, 2007, all of the options outstanding were exercisable. A summary of stock option activity related to the Company s Special Equity Incentive Plan is as follows:

	Number of Shares	Exercise Price Per Share Range	Weighted Average	Shares Available to Grant
Outstanding at January 1, 2007	240,000	$3.13 -$4.50	$4.36	195,634
Exercised	(123,000)	$3.13 -$4.50	$4.47	-
Outstanding at June 30, 2007	117,000	$3.13 -$4.50	$4.24	195,634

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

(5) Stock-Based Compensation (continued)
Options outstanding at June 30, 2007 under the Special Equity Incentive Plan and related weighted average price and life information follows:

Remaining	Grant	Options	Options	Weighted Average Exercise	Aggregate