FLUOR CORPORATION

FORM 10-Q

June 30, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001

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: 1-16129

FLUOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 33-0927079

(State or other jurisdiction of incorporation or organization)

One Enterprise Drive, Aliso Viejo, CA 92656

(Address of principal executive offices)

(949) 349-2000

(Registrant's telephone number, including area code)

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 ( )

As of July 31, 2001 there were 80,124,146 shares of common stock outstanding.

FLUOR CORPORATION

FORM 10-Q

June 30, 2001
### Part I: Financial Information

**FLUOR CORPORATION**

**CONDENSED CONSOLIDATED STATEMENT OF EARNINGS**

Three Months Ended June 30, 2001 and July 31, 2000

*UNAUDITED*

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td>$ 2,338,430</td>
<td>$ 2,627,544</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COSTS AND EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>2,253,144</td>
<td>2,583,810</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>31,361</td>
<td>26,261</td>
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<tr>
<td>Interest expense</td>
<td>9,193</td>
<td>7,167</td>
</tr>
<tr>
<td>Interest income</td>
<td>(5,251)</td>
<td>(2,188)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>2,288,447</td>
<td>2,615,050</td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td>EARNINGS FROM CONTINUING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATIONS BEFORE TAXES</td>
<td>49,983</td>
<td>12,494</td>
</tr>
<tr>
<td>INCOME TAX EXPENSE</td>
<td>15,744</td>
<td>3,326</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EARNINGS FROM CONTINUING</td>
<td>34,239</td>
<td>9,168</td>
</tr>
<tr>
<td>OPERATIONS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EARNINGS FROM DISCONTINUED</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATIONS, NET OF TAXES</td>
<td></td>
<td>24,170</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET EARNINGS</td>
<td>$ 34,239</td>
<td>$ 33,338</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BASIC EARNINGS PER SHARE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONTINUING OPERATIONS</td>
<td>$ 0.44</td>
<td>$ 0.12</td>
</tr>
<tr>
<td>DISCONTINUED OPERATIONS</td>
<td>--</td>
<td>0.32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET EARNINGS</td>
<td>$ 0.44</td>
<td>$ 0.44</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DILTED EARNINGS PER SHARE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONTINUING OPERATIONS</td>
<td>$ 0.43</td>
<td>$ 0.12</td>
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<tr>
<td>DISCONTINUED OPERATIONS</td>
<td>--</td>
<td>0.32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## FLUOR CORPORATION
### CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
Six Months Ended June 30, 2001 and July 31, 2000
UNAUDITED

<table>
<thead>
<tr>
<th>In thousands, except per share amounts</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td>$ 4,361,249</td>
<td>$ 4,923,206</td>
</tr>
</tbody>
</table>

### COSTS AND EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenues</td>
<td>$4,191,960</td>
<td>$4,813,685</td>
</tr>
<tr>
<td>Special provision</td>
<td>-</td>
<td>$(17,919)</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>92,894</td>
<td>53,513</td>
</tr>
<tr>
<td>Interest expense</td>
<td>19,538</td>
<td>13,153</td>
</tr>
<tr>
<td>Interest income</td>
<td>$(8,187)</td>
<td>$(4,907)</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>$4,296,205</td>
<td>$4,857,525</td>
</tr>
</tbody>
</table>

### EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME TAX EXPENSE</td>
<td>$19,613</td>
<td>$19,787</td>
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</table>

### EARNINGS FROM CONTINUING OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings from continuing operations</td>
<td>$45,431</td>
<td>$45,894</td>
</tr>
</tbody>
</table>

### EARNINGS FROM DISCONTINUED OPERATIONS, NET OF TAXES

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET EARNINGS</td>
<td>$45,431</td>
<td>$84,380</td>
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</tbody>
</table>

### BASIC EARNINGS PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTINUING OPERATIONS</td>
<td>$0.59</td>
<td>$0.61</td>
</tr>
<tr>
<td>DISCONTINUED OPERATIONS</td>
<td>-</td>
<td>0.51</td>
</tr>
<tr>
<td>NET EARNINGS</td>
<td>$0.59</td>
<td>$1.12</td>
</tr>
</tbody>
</table>

### DILUTED EARNINGS PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTINUING OPERATIONS</td>
<td>$0.58</td>
<td>$0.60</td>
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<tr>
<td>DISCONTINUED OPERATIONS</td>
<td>-</td>
<td>0.50</td>
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<tr>
<td>NET EARNINGS</td>
<td>$0.58</td>
<td>$1.10</td>
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</table>

### SHARES USED TO CALCULATE BASIC EARNINGS PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASIC EARNINGS PER SHARE</td>
<td>78,138</td>
<td>74,964</td>
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<tr>
<td>DILUTED EARNINGS PER SHARE</td>
<td>79,878</td>
<td>76,097</td>
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</table>

See Accompanying Notes
## FLUOR CORPORATION

### CONDENSED CONSOLIDATED BALANCE SHEET

**June 30, 2001 and December 31, 2000**  

**UNAUDITED**

<table>
<thead>
<tr>
<th>$ in thousands</th>
<th>June 30, 2001</th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$311,011</td>
<td>$21,850</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>706,846</td>
<td>680,836</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>466,180</td>
<td>366,223</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>118,230</td>
<td>116,753</td>
</tr>
<tr>
<td>Inventory and other current assets</td>
<td>224,556</td>
<td>196,596</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,826,823</td>
<td>1,382,258</td>
</tr>
<tr>
<td>Property, plant and equipment (net of accumulated depreciation and amortization of $417,990 and $450,709, respectively)</td>
<td>636,897</td>
<td>760,876</td>
</tr>
<tr>
<td>Investments and goodwill, net</td>
<td>192,472</td>
<td>192,795</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>77,230</td>
<td>82,452</td>
</tr>
<tr>
<td>Other</td>
<td>286,315</td>
<td>282,180</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$3,019,737</td>
<td>$2,700,561</td>
</tr>
</tbody>
</table>

(Continued On Next Page)
See Accompanying Notes

5

Fluor Corporation
Condensed Consolidated Statement of Cash Flows
Six Months Ended June 30, 2001 and July 31, 2000

Unaudited

$ in thousands

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>$45,431</td>
<td>$84,380</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings to cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization - continuing operations</td>
<td>62,214</td>
<td>71,784</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization - discontinued operations</td>
<td>--</td>
<td>83,776</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>5,480</td>
<td>1,220</td>
</tr>
<tr>
<td>Special provision, net of cash paid</td>
<td>(3,868)</td>
<td>(29,148)</td>
</tr>
<tr>
<td>Asset write-off</td>
<td>--</td>
<td>17,762</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities, excluding effects of business acquisitions/dispositions</td>
<td>156,305</td>
<td>(84,535)</td>
</tr>
<tr>
<td>Equity in earnings of investee</td>
<td>(6,013)</td>
<td>(4,684)</td>
</tr>
<tr>
<td>Other, net</td>
<td>16,257</td>
<td>(122)</td>
</tr>
<tr>
<td><strong>Cash provided by operating activities</strong></td>
<td>275,806</td>
<td>140,433</td>
</tr>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures - continuing operations</td>
<td>(102,394)</td>
<td>(164,900)</td>
</tr>
<tr>
<td>Capital expenditures - discontinued operations</td>
<td>--</td>
<td>(88,624)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>31,916</td>
<td>49,633</td>
</tr>
<tr>
<td>Investments, net</td>
<td>9,299</td>
<td>40,084</td>
</tr>
<tr>
<td>Other, net</td>
<td>6,109</td>
<td>(5,113)</td>
</tr>
<tr>
<td><strong>Cash utilized by investing activities</strong></td>
<td>(55,070)</td>
<td>(176,796)</td>
</tr>
<tr>
<td><strong>Cash Flows from Financing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(12,455)</td>
<td>(38,026)</td>
</tr>
<tr>
<td>(Decrease) increase in short-term borrowings</td>
<td>(188,801)</td>
<td>56,995</td>
</tr>
<tr>
<td>Proceeds from sale/leaseback transaction</td>
<td>127,900</td>
<td>--</td>
</tr>
<tr>
<td>Stock options exercised</td>
<td>143,745</td>
<td>18</td>
</tr>
<tr>
<td>Purchases of common stock</td>
<td>6,109</td>
<td>(5,113)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(1,064)</td>
<td>(6,128)</td>
</tr>
<tr>
<td><strong>Cash provided (utilized) by financing activities</strong></td>
<td>(68,425)</td>
<td>(4,128)</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
<td>289,161</td>
<td>(42,492)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>21,850</td>
<td>148,130</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$311,011</td>
<td>$105,638</td>
</tr>
</tbody>
</table>

See Accompanying Notes

6

Fluor Corporation
Notes to Condensed Consolidated Financial Statements

Unaudited

(1) On November 30, 2000, a reverse spin-off distribution to shareholders was effected which separated Fluor Corporation (Fluor) into two publicly-traded companies - a "new" Fluor ("New Fluor" or the "company") and Massey Energy Company ("Massey"). The reverse spin-off was accomplished through the distribution of 100% of the common stock of New Fluor to shareholders of existing Fluor. As a result, each existing Fluor shareholder received one share of New Fluor common stock for each share of existing Fluor common stock and retained their shares in existing Fluor, whose name was changed to Massey Energy Company. Because of the relative significance of the company's operations to Fluor, the company is treated as the "accounting
successor” for financial reporting purposes. Accordingly, Massey's results of operations for periods preceding the separation date are presented as discontinued operations.

In connection with the reverse spin-off, the company changed to a calendar-year basis of reporting financial results. For comparative purposes, the fiscal year 2000 periods that ended closest to June 30 (the three and six months ended July 31, 2000 or the “comparison periods”) are presented in the accompanying condensed consolidated financial statements and these notes.

The condensed consolidated financial statements do not include footnotes and certain financial information normally presented annually under generally accepted accounting principles and, therefore, should be read in conjunction with the company's October 31, 2000 annual report on Form 10-K. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the three and six months ended June 30, 2001 are not necessarily indicative of results that can be expected for a full year.

The condensed consolidated financial statements included herein are unaudited; however, they contain all adjustments (consisting of normal recurring accruals) which, in the opinion of the company, are necessary to present fairly its consolidated financial position at June 30, 2001 and its consolidated results of operations and cash flows for the three and six months ended June 30, 2001 and July 31, 2000.

Certain 2000 amounts have been reclassified to conform with the 2001 presentation.

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FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
UNAUDITED

(2) Inventories comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>$ in thousands</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Equipment for sale/rental</td>
<td>$69,325</td>
<td>$81,511</td>
</tr>
<tr>
<td>Supplies and other</td>
<td>$34,473</td>
<td>$35,053</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------</td>
<td>--------------</td>
</tr>
<tr>
<td>$103,798</td>
<td>$116,564</td>
<td></td>
</tr>
</tbody>
</table>

(3) Short-term debt comprises the following:

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>$ in thousands</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>$---</td>
<td>$191,720</td>
</tr>
<tr>
<td>Notes payable to banks</td>
<td>$38,010</td>
<td>$35,091</td>
</tr>
<tr>
<td>Trade notes payable</td>
<td>$405</td>
<td>$982</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------</td>
<td>--------------</td>
</tr>
<tr>
<td>$38,415</td>
<td>$227,793</td>
<td></td>
</tr>
</tbody>
</table>
Advances from affiliate relate to cash received by a joint venture entity from advance billings on contracts, which are made available to the partners. Such advances are classified as an operating liability of the company.

Total comprehensive income represents the net change in shareholders' equity during a period from sources other than transactions with shareholders and as such, includes net earnings. For the company, the only other component of total comprehensive income is the change in the cumulative foreign currency translation adjustments recorded in shareholders' equity.

The components of comprehensive income, net of related tax, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2001</td>
<td>July 31, 2000</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$34,239</td>
<td>$33,338</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>adjustment</td>
<td>1,158</td>
<td>(3,452)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>$35,397</td>
<td>$29,886</td>
</tr>
</tbody>
</table>

Cash paid for interest was $25.6 million and $32.0 million for the six month periods ended June 30, 2001 and July 31, 2000, respectively. Income tax payments, net of receipts, were $24.4 million and $37.3 million during the six month periods ended June 30, 2001 and July 31, 2000, respectively.

During 2001, New Fluor reorganized its business units to facilitate its leadership as a single, highly focused company. The business units are grouped into three segments: Engineering, Procurement and Construction (EPC), Asset Services and Business Services and Other. The EPC segment includes six business units: Energy & Chemicals, Duke/Fluor Daniel, Manufacturing and Life Sciences, Telecommunications, Mining and Transportation. The Asset Services segment includes three business units: American Equipment Company, Fluor Federal Services and Global Services. The Business Services and Other segment includes three business units: Fluor Signature Services (the company's shared services organization), TRS Staffing Solutions and New Ventures. Additionally, certain management costs that were previously charged to business segments are now included in corporate administrative and general expense. Prior year amounts have been restated to conform to the current organization structure.

Total assets for the Business Services and Other segment were $343.3 million at June 30, 2001, compared with $502.3 million at December 31, 2000. The decline during 2001 was primarily the result of the sale of the company's Sugar Land, Texas facility in June, 2001. A significant portion of that facility was leased-back by the company.

Operating information by segment for the company’s continuing operations are as follows for the three months ended June 30, 2001 and July 31, 2000:
A reconciliation of the segment information to consolidated amounts for the three months ended June 30, 2001 and July 31, 2000 is as follows:

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment operating profit</td>
<td>$85.3</td>
<td>$43.7</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>(31.4)</td>
<td>(26.3)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(3.9)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Earnings from continuing operations before taxes</td>
<td>$50.0</td>
<td>$12.5</td>
</tr>
</tbody>
</table>

Operating information by segment for the company's continuing operations are as follows for the six months ended June 30, 2001 and July 31, 2000:

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>EPC</th>
<th>Asset Services</th>
<th>Business Services and Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 External revenues</td>
<td>$3,058.2</td>
<td>$1,204.9</td>
<td>$98.1</td>
<td>$4,361.2</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>136.4</td>
<td>54.4</td>
<td>(21.6)</td>
<td>169.2</td>
</tr>
<tr>
<td>2000 External revenues</td>
<td>$3,710.2</td>
<td>$1,096.2</td>
<td>$116.8</td>
<td>$4,923.2</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>87.5</td>
<td>57.5</td>
<td>(16.2)</td>
<td>128.8</td>
</tr>
</tbody>
</table>

A reconciliation of the segment information to consolidated amounts for the six months ended June 30, 2001 and July 31, 2000 is as follows:

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment operating profit</td>
<td>$169.2</td>
<td>$128.8</td>
</tr>
<tr>
<td>Loss on business disposition not allocated to a segment</td>
<td>---</td>
<td>(19.3)</td>
</tr>
<tr>
<td>Special provision</td>
<td>---</td>
<td>17.9</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>(92.9)</td>
<td>(53.5)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(11.3)</td>
<td>(8.2)</td>
</tr>
<tr>
<td>Earnings from continuing operations before taxes</td>
<td>$65.0</td>
<td>$65.7</td>
</tr>
</tbody>
</table>
(8) The company uses forward exchange contracts to hedge certain foreign currency transactions entered into in the ordinary course of business. The company does not engage in currency speculation. The company's forward exchange contracts do not subject the company to significant risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, in the transactions being hedged.

The company formally documents its hedge relationships at inception, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. The company also formally assesses both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value of the hedged items.

The company generally limits exposure to foreign currency fluctuations in most of its engineering and construction contracts through provisions that require client payments in U.S. dollars or other currencies corresponding to the currency in which costs are incurred. As a result, the company generally does not need to hedge foreign currency cash flows for contract work performed. Under certain limited circumstances, such foreign currency payment provisions could be deemed embedded derivatives. As of June 30, 2001, the company had no significant embedded derivatives in any of its contracts.

(9) In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". These statements will be effective for the company's calendar year 2002. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests. Application of the nonamortization provisions is expected to result in an increase in net income of approximately $6 million ($0.07 per diluted share) per year. During 2002, the company will perform the first of the required impairment tests of goodwill and has not yet determined what the effect such tests will have on results of operations or financial position of the company.
the "comparison periods") are presented in the accompanying condensed consolidated financial statements and the following discussion.

FORWARD-LOOKING INFORMATION

Statements regarding the company's projected earning levels, new awards and backlog levels and the implementation of strategic initiatives and organizational changes are forward looking in nature. These forward-looking statements reflect current analysis of existing information. Caution must be exercised in relying on forward-looking statements. Due to known and unknown risks, the company's actual results may differ materially from its expectations or projections. Factors potentially contributing to such differences include, among others:

. Changes in global business, economic, political and social conditions;
. The company's failure to receive anticipated new contract awards;
. Customer cancellations of, or scope adjustments to, existing contracts;
. Difficulties or delays incurred in the execution of construction contracts resulting in cost overruns or liabilities;
. Customer delays or defaults in making payments;
. Difficulties and delays incurred in the implementation of strategic initiatives; and
. Competition in the global engineering and construction industry.

While most risks affect only future costs or revenues anticipated by the company, some risks may relate to accruals that have already been reflected in earnings. The company's failure to receive payments of accrued amounts could result in a charge against future earnings.

Additional information concerning these and other factors can be found in press releases as well as periodic filings with the Securities and Exchange Commission, including the discussion under the heading "Item 1. Business - Other Matters - Company Business Risks" in the company's Form 10-K filed January 29, 2001. These filings are available either publicly or upon request from Fluor's Investor Relations Department: (949) 349-3909. The company disclaims any intent or obligation to update its forward-looking statements.

FLUOR CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(CONTINUED)

RESULTS OF CONTINUING OPERATIONS

Revenues for the three and six month periods ended June 30, 2001 were $2,338.4 million and $4,361.2 million, respectively, compared with $2,627.5 million and $4,923.2 million, respectively, for the three and six months ended July 31, 2000. Net earnings from continuing operations for the three and six months ended June 30, 2001 were $34.2 million and $45.4 million, compared with $9.2 million and $45.9 million, respectively, for the 2000 comparison periods. Because of a significant increase in the trading price of the company's common stock during 2001, operating results for the three and six months ended June 30, 2001 were impacted by stock-price based compensation charges of $1.9 million after tax ($0.02 per diluted share) and $18.1 million after tax ($0.23 per diluted share), respectively. Operating results for the six months ended July 31, 2000 were impacted by two unusual items. First, $17.9 million ($0.23 per diluted share) of the special provision that was recorded during fiscal year 1999 was credited to earnings as a result of the company's decision to retain ownership and remain in its current office location in Camberley, U.K. Additionally, a charge in the amount of $19.3 million ($0.25 per diluted share) was recorded that related to the write-off of certain assets and the loss on the sale of a European-based consulting business. As discussed in greater detail in the following section, the EPC segment recorded a significant provision for a cost overrun on one project during the three months ended July 31, 2000.
Consolidated new awards for the three and six months ended June 30, 2001 increased 12 percent and 26 percent to $2.5 billion and $5.0 billion from $2.2 billion and $4.0 billion in the 2000 comparison periods. Consolidated backlog at June 30, 2001 was $10.6 billion, an increase of 21 percent over the July 31, 2000 backlog of $8.8 billion. Approximately 15 percent and 21 percent of consolidated new awards for the three and six months ended June 30, 2001 were for projects located outside of the United States. As of June 30, 2001, approximately 41 percent of consolidated backlog relates to international projects, compared with 44 percent at July 31, 2000.

FLUOR CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(CONTINUED)

EPC

Revenues and operating profit for the EPC segment are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30,</td>
<td>July 31,</td>
</tr>
<tr>
<td>Revenues</td>
<td>$1,681.4</td>
<td>$1,978.9</td>
</tr>
<tr>
<td>Operating profit</td>
<td>71.4</td>
<td>24.3</td>
</tr>
</tbody>
</table>

Revenues have declined during the 2001 periods relative to the 2000 comparison periods, primarily due to a decrease in the volume of work performed. The lower level of new awards experienced during 1999 and the first half of 2000 has contributed to the reduced volume of contract execution in the three and six months ended June 30, 2001.

Operating profit has increased significantly during 2001. Expressed as percentages of revenues, the operating profit margin was 4.2 percent and 4.5 percent for the three and six months ended June 30, 2001, significant improvements over the 1.2 percent and 2.4 percent realized in the 2000 comparison periods. During the three months ended July 31, 2000, the EPC segment recorded a provision of $54 million, representing its equal share of cost overruns on a Duke/Fluor Daniel lump sum power project in Dearborn, Michigan. Duke/Fluor Daniel is a joint-venture partnership between Duke Energy and the company. During 2000, the Dearborn project was impacted by a number of adverse factors, including labor productivity and substantial scope of work changes.

New awards for the EPC segment in the three and six months ended June 30, 2001 were $2,064.6 million and $4,141.4 million, respectively, compared with $1,739.3 million and $3,355.0 million for the 2000 comparison periods. The increase in new awards during 2001 resulted from strong demand for new power-generating facilities and the continuing development of large, multi-year projects in the Energy & Chemicals business unit.

The following table sets forth backlog for each of the segment's business units:
The overall increase in backlog for the EPC segment at June 30, 2001 compared with July 31, 2000 is consistent with the improving trend in new awards in the energy, chemicals and power markets. Although backlog reflects business which is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward. Backlog for the Telecommunications business unit at June 30, 2001 includes a $400 million downward adjustment for a reduction in scope on one project that occurred during the first quarter of the year.

ASSET SERVICES

Revenues and operating profit for the Asset Services segment are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2001</td>
<td>July 31, 2000</td>
</tr>
<tr>
<td>Revenues</td>
<td>$610.5</td>
<td>$593.1</td>
</tr>
<tr>
<td>Operating profit</td>
<td>28.0</td>
<td>31.1</td>
</tr>
</tbody>
</table>

Revenues have increased during the 2001 periods, due to a higher volume of work performed at both the Fluor Federal Services and Global Services business units. Operating profit for the 2001 periods was modestly lower compared with the 2000 periods. As a percent of revenues, operating profit declined to 4.6 percent and 4.5 percent during the three and six months ended June 30, 2001 compared with 5.3 percent and 5.2 percent during the respective 2000 comparison periods. These declines have resulted primarily from growth in renewable, ongoing maintenance contracts, which have lower risk and therefore lower margins.
Global Services                      $1,964.5        $1,578.7      $1,362.7
Fluor Federal Services                  235.2           602.1         177.9
-----------------------------------------
Total Asset Services backlog         $2,199.7        $2,180.8      $1,540.6

The overall increase in backlog for the Asset Services segment at June 30, 2001 compared with July 31, 2000 is consistent with growth in new awards in Global Services and the annual renewal of Department of Energy work at Fernald and Hanford that occurred during the latter part of fiscal year 2000. Although backlog reflects business which is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward.

BUSINESS SERVICES AND OTHER

Revenues and operating loss for the Business Services and Other segment are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>June 30,</th>
<th>July 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 46.5</td>
<td>$ 55.5</td>
<td>$ 98.1</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(14.1)</td>
<td>(11.7)</td>
<td>(21.6)</td>
</tr>
</tbody>
</table>

Operating losses of this segment relate primarily to New Ventures, which were combined under a single point of oversight and accountability as part of an organizational realignment in 2001.

OTHER

Net interest expense for the three and six months ended June 30, 2001 decreased by $1.0 million and increased by $3.1 million compared with the three and six months ended July 31, 2000, as the net result of higher average levels of interest bearing obligations during 2001, offset during the second quarter by higher cash balances.

Corporate administrative and general expense for the three and six-month periods ended June 30, 2001 was $5.1 million and $39.4 million higher than the 2000 comparison periods as the principal result of the stock-price based compensation charges of $2.9 million and $28.0 million pretax ($1.9 million and $18.1 million after tax) discussed above. Additionally, expenses related to the company's Enterprise Resource Management system, Knowledge@Work, have increased during 2001 following the implementation of the system at the beginning of the year.

For the three and six months ended June 30, 2001, the effective tax rates were 31.5 percent and 30.2 percent, respectively, compared with 26.6 percent and 30.1 percent for the 2000 comparison periods. The stock-price based compensation charges during 2001 and the unusual items during 2000 impacted the effective tax rates. Excluding such impacts, the effective tax rates for the 2001 three and six-month periods were 31.7 percent and 31.6 percent, compared with 26.6 percent
and 29.5 percent during the 2000 comparison periods. The effective rates for the 2000 periods were lower due to the utilization of prior year tax credits.

FINANCIAL POSITION AND LIQUIDITY

At June 30, 2001, the company had cash and cash equivalents of $311.0 million and a total debt to total capitalization ratio of 6.3 percent.

Cash flows have not been restated to exclude discontinued operations, and therefore include the Coal segment for the 2000 comparison period. Cash provided by operating activities was $275.8 million during the six months ended June 30, 2001, compared with $140.4 million during the six months ended July 31, 2000. A substantial decline in net operating assets and liabilities associated with engineering and construction activities was the largest contributor to the increase in cash provided by operating activities in the six months ended June 30, 2001 compared with the 2000 period. An increase of $231.6 million in advances from Duke/Fluor Daniel in 2001 compared with $23.5 million in the 2000 comparison period is the largest component of this change. The level of operating assets and liabilities is affected from period to period by the mix, stage of completion and commercial terms of the projects.

Cash utilized by investing activities totaled $55.1 million during the 2001 period compared with $176.8 million during the 2000 period. The 2000 amount includes $88.6 million of capital expenditures for discontinued operations. Capital expenditures for continuing operations in the 2000 period included Knowledge@Work, equipment purchases and facility acquisition costs. Capital expenditures during the 2001 period included Knowledge@Work and equipment purchases only.

Cash provided by financing activities totaled $68.4 million during the six months ended June 30, 2001 compared with cash utilized of $6.1 million for the six months ended July 31, 2000. During 2001, the company retired all outstanding commercial paper using the proceeds from the sale/leaseback of the Sugar Land, Texas facility. Conversely, during the 2000 comparison period, short-term debt increased by $57.0 million. Stock option exercises provided $143.7 million during the 2001 period, compared with only a nominal amount during the 2000 period. Dividends paid during the 2001 period were $12.5 million ($0.16 per share), compared with $38.0 million ($0.50 per share) during the 2000 comparison period. An additional $0.16 per share dividend was declared during the three months ended June 30, 2001, but had not been paid as of the end of the quarter. In connection with a stock buyback program approved by the Board of Directors on March 8, 2000, the company purchased 747,000 shares of its common stock for $23.0 million during the 2000 comparison period.

The company has on-hand and access to sufficient sources of funds to meet its anticipated operating needs for the foreseeable future. Significant short- and long-term lines of credit are maintained with banks which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by the company's commercial paper program.

FINANCIAL INSTRUMENTS

The company utilizes forward exchange contracts to hedge foreign currency transactions entered into in the ordinary course of business and not to engage in currency speculation. At June 30, 2001 and December 31, 2000, the company had forward foreign exchange contracts of less than 18 months duration to exchange principally Euros, Australian dollars, British pounds, Canadian dollars, Dutch guilders, German marks and Spanish pesetas for U.S. dollars. The total gross notional amount of these contracts at June 30, 2001 and December 31, 2000 was $108.8 million and $73.0 million, respectively. Forward contracts to
purchase foreign currency amounted to $108.7 million and $72.6 million and forward contracts to sell foreign currency totaled $0.1 million and $0.4 million at June 30, 2001 and December 31, 2000, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". These statements will be effective for the company's calendar year 2002. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests. Application of the nonamortization provisions is expected to result in an increase in net income of approximately $6 million ($0.07 per diluted share) per year. During 2002, the company will perform the first of the required impairment tests of goodwill and has not yet determined what the effect such tests will have on results of operations or financial position of the company.

FLUOR CORPORATION

CHANGES IN CONSOLIDATED BACKLOG
Three and Six Months Ended June 30, 2001 and July 31, 2000

UNAUDITED

Three Months Ended

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>June 30, 2001</th>
<th>July 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backlog - beginning of period</td>
<td>$10,183.7</td>
<td>$ 9,188.1</td>
</tr>
<tr>
<td>New awards</td>
<td>2,491.5</td>
<td>2,217.6</td>
</tr>
<tr>
<td>Adjustments and cancellations, net</td>
<td>128.9</td>
<td>(165.2)</td>
</tr>
<tr>
<td>Work performed</td>
<td>(2,183.5)</td>
<td>(2,448.0)</td>
</tr>
<tr>
<td>Backlog - end of period</td>
<td>$10,620.6</td>
<td>$ 8,792.5</td>
</tr>
</tbody>
</table>

Six Months Ended

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>June 30, 2001</th>
<th>July 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backlog - beginning of period</td>
<td>$ 9,766.7</td>
<td>$ 9,238.7</td>
</tr>
<tr>
<td>New awards</td>
<td>5,025.7</td>
<td>3,996.5</td>
</tr>
<tr>
<td>Adjustments and cancellations, net</td>
<td>(122.9)</td>
<td>109.6</td>
</tr>
<tr>
<td>Work performed</td>
<td>(4,048.9)</td>
<td>(4,552.3)</td>
</tr>
<tr>
<td>Backlog - end of period</td>
<td>$10,620.6</td>
<td>$ 8,792.5</td>
</tr>
</tbody>
</table>

PART II: Other Information

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

3.2 Amended and Restated Bylaws of the registrant

10.1 Fluor Corporation 2001 Key Employee Performance Incentive Plan
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLUOR CORPORATION

--------------------------------------------
(Registrant)

Date: August 14, 2001

/s/ D. M. Steuert

D. M. Steuert, Senior Vice President and Chief Financial Officer

/s/ V. L. Prechtl

V. L. Prechtl, Vice President and Controller
Amended and Restated
BYLAWS
(as amended March 13, 2001)
OF
FLUOR CORPORATION
(a Delaware corporation)

ARTICLE I
OFFICES

Section 1.01  Registered Office.  The registered office of FLUOR CORPORATION (hereinafter called the "Corporation") in the State of Delaware shall be at 9 East Loockerman Street, City of Dover, County of Kent, 19901 and the name of the registered agent at that address shall be National Registered Agents, Inc.

Section 1.02  Principal Office.  The principal office for the transaction of the business of the Corporation shall be at One Enterprise Drive, Aliso Viejo, California 92656. The Board of Directors (hereinafter called the "Board") is hereby granted full power and authority to change said principal office from one location to another.

Section 1.03  Other Offices.  The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board may from time to time determine or as the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 2.01  Annual Meetings.  Annual meetings of the stockholders of the Corporation for the purpose of electing directors and for the transaction of such other proper business as may come before such meetings may be held at such time, date and place as the Board shall determine by resolution.

Section 2.02  Special Meetings.  Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board or by a committee of the Board which has been duly created by the Board and whose powers and authority, as provided in a resolution of the Board or in the Bylaws of the Corporation, include the power to call such meetings, but such special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provisions of the Certificate of Incorporation or any amendment thereto or any certificate filed under Section 151(g) of the General Corporation Law of the State of Delaware (or its successor statute as in effect from time to time hereafter), then such special meeting may also be called by the person or persons, in the manner, at the times and for the purposes so specified.

Section 2.03  Place of Meetings.  All meetings of the stockholders shall be held at such places, within or without the State of Delaware, as may from time to time be designated by the person or persons calling the respective meeting.
Section 2.04 Notice of Stockholder Business and Nominations.

(A) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time the notice provided for in this Section 2.04 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 5.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section 2.04, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business other than the nominations of persons for election to the Board of Directors must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth day nor earlier than the close of business on the one hundred twentieth day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty days before or more than seventy days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth day prior to such annual meeting and not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (and such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies
from stockholders in support of such proposal or nomination. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 2.04 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.04 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 2.04 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 2.04. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (A)(2) of this Section 2.04 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth day prior to such special meeting and not later than the close of business on the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(C) General. (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.04 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.04. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (a) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.04 (including whether the stockholder or beneficial owner, if
any, on whose behalf the nomination or proposal is made solicited (or is part of
a group which solicited) or did not so solicit, as the case may be, proxies in
support of such stockholder's nominee or proposal in compliance with such
stockholder's representation as required by clause (A)(2)(c)(iv) of this Section
2.04) and (b) if any proposed nomination or business was not made or proposed in
compliance with this Section 2.04, to declare that such nomination shall be
disregarded or that such proposed business shall not be transacted.
Notwithstanding the foregoing provisions of this Section 5, if the stockholder
(or a qualified representative of the stockholder) does not appear at the annual
or special meeting of stockholders of the Corporation to present a nomination or
business, such nomination shall be disregarded and such proposed business shall
not be transacted, notwithstanding that proxies in respect of such vote may have
been received by the Corporation.

(2) For purposes of this Section 2.04, "public announcement" shall
include disclosure in a press release reported by the Dow Jones News Service,
Associated Press or comparable national news service or in a document publicly
filed by the Corporation with the Securities and Exchange Commission pursuant to
Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 2.04, a
stockholder shall also comply with all applicable requirements of the Exchange
Act and the rules and regulations thereunder with respect to the matters set
forth in this Section 2.04. Nothing in this Section 2.04 shall be deemed to
affect any rights (a) of stockholders to request inclusion of proposals in the
Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or
(b) of the holders of any series of Preferred Stock to elect directors pursuant
to any applicable provisions of the certificate of incorporation.

Section 2.05 Notice of Meetings. Except as otherwise required by law, the
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certificate of incorporation or the Bylaws, notice of each meeting of the
stockholders, whether annual or special, shall be given not less than 10 nor
more than 60 days before the date of the meeting to each stockholder of record
entitled to vote at such meeting by delivering a notice thereof to him or her
personally, or by depositing such notice in the United States mail, in a postage
prepaid envelope, directed to him or her at his or her post office address
furnished by him or her to the Secretary of the Corporation for such purpose or,
if he or she shall not have furnished to the

Secretary his or her address for such purposes [or if otherwise consented to by
such stockholder], then at his or her post office address last known to the
Secretary, or by transmitting a notice thereof to him or her at such address by
means of electronic transmission. Except as otherwise expressly required by law,
no publication of any notice of a meeting of the stockholders shall be required.
Every notice of a meeting of the stockholders shall state the place, date and
hour of the meeting, and, in the case of a special meeting, shall also state the
purpose or purposes for which the meeting is called. Notice of any meeting of
stockholders shall not be required to be given to any stockholder who shall have
waived such notice and such notice shall be deemed waived by any stockholder who
shall attend such meeting in person or by proxy, except a stockholder who shall
attend such meeting for the express purpose of objecting, at the beginning of
the meeting, to the transaction of any business because the meeting is not
lawfully called or convened. Except as otherwise expressly required by law,
otice of any adjourned meeting of the stockholders need not be given if the
time and place thereof are announced at the meeting at which the adjournment is
taken.

Section 2.06 Quorum. Except in the case of any meeting for the election
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of directors summarily ordered as provided by law, the holders of record of a
majority of the voting power of the shares of stock of the Corporation entitled
to be voted thereat, present in person or by proxy, shall constitute a quorum
for the transaction of business at any meeting of the stockholders of the
Corporation or any adjournment thereof. In the absence of a quorum at any
meeting or any adjournment thereof, the holders of a majority of the voting power of the stockholders present in person or by proxy and entitled to vote thereat or, in the absence therefrom of all the stockholders, any officer entitled to preside at, or to act as secretary of, such meeting may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

Section 2.07 Voting.

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(a) Except as otherwise provided by or pursuant to the provisions of the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder shall, at each meeting of the stockholders, be entitled to vote in person or by proxy each share or fractional share of the stock of the Corporation having voting rights on the matter in question and which shall have been held by him or her and registered in his or her name on the books of the Corporation:

(i) on the date fixed pursuant to Section 6.05 of the Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or

(ii) if no such record date shall have been so fixed, then (a) at the close of business on the day next preceding the day on which notice of the meeting shall be given or (b) if notice of the meeting shall be waived, at the close of business on the day next preceding the day on which meeting shall be held.

(b) Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the corporation or any subsidiary of the corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity. Persons holding stock of the Corporation in a fiduciary capacity shall be entitled to vote such stock. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the Corporation such person has expressly empowered the pledgee to vote thereon, in which case only the pledgee, or such person's proxy, may represent such stock and vote thereon. Stock having voting power standing of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, shall be voted in accordance with the provisions of the General Corporation Law of the State of Delaware.

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by his or her proxy or by his or her attorney thereunto authorized and delivered to the secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date unless said proxy shall provide for a longer period. The attendance at any meeting by a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he or she shall in writing so notify the secretary of the meeting prior to the voting of the proxy. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by the certificate of incorporation, these by-laws, the rules or regulations of any stock exchange applicable to the corporation, or applicable law or pursuant to any regulation applicable to the corporation or its securities, be decided by the affirmative vote of the holders of a majority in voting power of the shares of stock of the corporation which are present in
person or by proxy and entitled to vote thereon. The vote at any meeting of the
stockholders on any question need not be by ballot, unless so directed by the
chairman of the meeting. On a vote by ballot each ballot shall be signed by the
stockholder voting, or by his or her proxy, if there be such proxy, and it shall
state the number of shares voted.

Section 2.08 List of Stockholders. The Secretary shall prepare and make,
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at least ten (10) days before every meeting of stockholders, a complete list of
the stockholders entitled to vote at the meeting, arranged in alphabetical
order, and showing the address of each stockholder and the number of shares
registered in the name of each stockholder. Such list shall be open to the
examination of any stockholder, for any purpose germane to the meeting, as
required by applicable law. Except as otherwise provided by law, the stock
ledger shall be the only evidence as to who are the stockholders entitled to
examine the stock ledger, the list of stockholders or the books of the
corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 2.09 Inspectors of Election. The corporation may, and shall if
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required by law, in advance of any meeting of stockholders, appoint one or more
inspectors of election, who may be employees of the corporation, to act at the
meeting or any adjournment thereof and to make a written report thereof. The
corporation may designate one or more persons as alternate inspectors to replace
any inspector who fails to act. In the event that no inspector so appointed

or designated is able to act at a meeting of stockholders, the person presiding
at the meeting shall appoint one or more inspectors to act at the meeting. Each
inspector, before entering upon the discharge of his or her duties, shall take
and sign an oath to execute faithfully the duties of inspector with strict
impartiality and according to the best of his or her ability. The inspector or
inspectors so appointed or designated shall (i) ascertain the number of shares
of capital stock of the corporation outstanding and the voting power of each
such share, (ii) determine the shares of capital stock of the corporation
represented at the meeting and the validity of proxies and ballots, (iii) count
all votes and ballots, (iv) determine and retain for a reasonable period a
record of the disposition of any challenges made to any determination by the
inspectors, and (v) certify their determination of the number of shares of
capital stock of the corporation represented at the meeting and such inspectors'
count of all votes and ballots. Such certification and report shall specify such
other information as may be required by law. In determining the validity and
counting of proxies and ballots cast at any meeting of stockholders of the
corporation, the inspectors may consider such information as is permitted by
applicable law. No person who is a candidate for an office at an election may
serve as an inspector at such election.

ARTICLE III
BOARD OF DIRECTORS

Section 3.01 General Powers. The property, business and affairs of the
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Corporation shall be managed by the Board.

Section 3.02 Number. The authorized number of Directors of the Corporation
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shall be fourteen and such authorized number shall not be changed except by a
Bylaw or amendment thereof duly adopted by the stockholders in accordance with
the Certificate of Incorporation or by the Board amending this Section 3.02.

Section 3.03 Election of Directors. The directors shall be elected by the
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stockholders of the Corporation, and at each election the persons receiving the
greatest number of votes, up to the number of directors then to be elected,
shall be the persons then elected. The election of directors is subject to any provisions contained in the Certificate of Incorporation relating thereto, including any provisions for a classified board.

Section 3.04 Mandatory Retirement. The Chairman of the Board and the President and any former Chairman of the Board and any former President, if serving as a director of the Corporation at age 72, shall retire from the Board at the end of the calendar year in which his or her 72nd birthday occurs. Each other employee or former employee of the Corporation or its subsidiaries serving as a director of the Corporation at age 65 shall retire from the Board at the end of the calendar year in which his or her 65th birthday occurs unless the Chairman of the Board recommends and the Board approves his or her continued service as a non-employee director. Each other employee of the Corporation or its subsidiaries under age 65 serving as a director of the Corporation who elects to take early retirement or who for any other reason is no longer an officer of the Corporation or its subsidiaries shall retire from the Board as of the date he or she ceases to be an officer unless the Chairman of the Board recommends and the Board approves his or her continued directorship. Each non-employee director of the Corporation serving at age 72 shall retire from the Board at the end of the calendar year in which his or her 72nd birthday occurs. For purposes of this Section, "end of the calendar year" shall include the period ending with the seventh day of January next following.

Section 3.05 Resignations. Any director of the Corporation may resign at any time by giving written notice to the Board or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, it shall take effect immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.06 Vacancies. Except as otherwise provided in the Certificate of Incorporation, any vacancy in the Board, whether because of death, resignation, disqualification, an increase in the number of directors, or any other cause, shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board. Any director so chosen shall hold office until the next election of the class for which such director shall have been chosen and until such director's successor shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 3.07 Place of Meeting, etc. The Board may hold any of its meetings at such place or places within or without the State of Delaware and at such times as the Board may from time to time determine. Directors may participate in any regular or special meeting of the Board by means of conference telephone or other communications equipment pursuant to which all persons participating in the meeting of the Board can hear each other, and such participation shall constitute presence in person at such meeting.

Section 3.08 First Meeting. The Board shall meet as soon as practicable after each annual election of directors and notice of such first meeting shall not be required.

Section 3.09 Regular Meetings. Regular meetings of the Board may be held at such times as the Board shall from time to time by resolution determine. If any day fixed for a meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting shall be held at the same hour and place on the next succeeding business day not a legal holiday. Except as provided by
Section 3.10 Special Meetings. Special meetings of the Board may be called at any time by the Chairman of the Board or the President or by any two directors, to be held at the principal office of the Corporation, or at such other place or places, within or without the State of Delaware, as the person or persons calling the meeting may designate. Notice of all special meetings of the Board shall be given to each director by two days' service of the same by telegram, by letter, or personally. Such notice may be waived by any director and any meeting shall be a legal meeting without notice having been given if all the directors shall be present thereat or if those not present shall, either before or after the meeting, sign a written waiver of notice of, or a consent to, such meeting or shall after the meeting sign the approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or be made a part of the minutes of the meeting.

Section 3.11 Quorum and Manner of Acting. Except as otherwise provided in the Bylaws or by law, the presence of a majority of the whole Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board, and all matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of the directors present. In the absence of a quorum, a majority of directors present at any meeting may adjourn the same from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. The directors shall act only as a Board, and the individual directors shall have no power as such.

Section 3.12 Action by Consent. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic means, and such consents are filed with the minutes of proceedings of the Board of Directors or such committee.

Section 3.13 Compensation. No stated salary need be paid directors, as such, for their services, but, by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board or an annual directors' fee may be paid; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefore. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 3.14 Committees. The Board may, by resolution passed by the Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Former employees of the Corporation or its subsidiaries who are no longer officers of the Corporation or its subsidiaries, if serving as a director of the Corporation, shall not be eligible to serve as a member of any committee of the Board. Except as otherwise provided in the Board resolution designating a committee, the presence of a majority of the authorized number of members of such committee shall be required to constitute a quorum for the transaction of business at any meeting of such committee. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have any power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending
to the stockholders a dissolution of the Corporation or a revocation of the dissolution, or amending the Bylaws of the Corporation; and unless the resolution of the Board expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Any such committee shall keep written minutes of its meetings and report the same to the Board at the next regular meeting of the Board.

Section 3.15 Officers of the Board. The Board shall have a Chairman of the Board and may, at the discretion of the Board, have a Vice Chairman and other officers. The Chairman of the Board and the Vice Chairman shall be appointed from time to time by the Board, unless such positions are elected offices of the Corporation, currently filled, and shall have such powers and duties as shall be designated by the Board.

ARTICLE IV
OFFICERS
Section 4.01 Officers. The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a Secretary, a Treasurer and such other officers as may be appointed by the Board as the business of the Corporation may require. Officers shall have such powers and duties as are permitted or required by law or as may be specified by or in accordance with resolutions of the Board. Any number of offices may be held by the same person. Unless the Board shall otherwise determine, the Chairman of the Board shall be the Chief Executive Officer of the Corporation. In the absence of any contrary determination by the Board, the Chief Executive Officer shall, subject to the power and authority of the Board, have general supervision, direction and control of the officers, employees, business and affairs of the Corporation.

Section 4.02 Election and Term. The officers of the Corporation shall be elected annually by the Board. The Board may at any time and from time to time elect such additional officers as the business of the Corporation may require. Each officer shall hold his or her office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Section 4.03 Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board. Any officer may resign at any time by giving notice to the Board. Such resignation shall take effect at the time specified in such notice or, in the absence of such specification, at the date of the receipt by the Board of such notice. Unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.04 Vacancies. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise, shall be filled in the manner prescribed in these Bylaws for the regular appointment to such office.

ARTICLE V
CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.
Section 5.01 Execution of Contracts. The Board, except as in the Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific
instances; and unless so authorized by the Board or by the

Bylaws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 5.02 Checks, Drafts, etc. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board. Each such person shall give such bond, if any, as the Board may require.

Section 5.03 Deposit. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select, or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the Chief Executive Officer, the President or the Treasurer (or any other officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation who shall from time to time be determined by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

Section 5.04 General and Special Bank Accounts. The Board may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board may select or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of the Bylaws, as it may deem expedient.

ARTICLE VI
SHARES AND THEIR TRANSFER

Section 6.01 Certificates for Stock. Every owner of stock of the Corporation shall be entitled to have a certificate or certificates, to be in such form as the Board shall prescribe, certifying the number and class of shares of the stock of the Corporation owned by him or her. The certificates representing shares of such stock shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the President and by the Secretary. Any or all of the signatures on the certificates may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any such certificate shall thereafter have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person who signed such certificate, or whose facsimile signature shall have been placed thereupon, were such officer, transfer agent or registrar at the date of issue. A record shall be kept of the respective names of the persons, firms or corporations owning the stock represented by such certificates, the number and class of shares represented by such
certificates, respectively, and the respective dates thereof, and in case of
cancellation the respective dates of cancellation. Every certificate surrendered
to the Corporation for exchange or transfer shall be cancelled, and no new
certificate or certificates shall be issued in exchange for any existing
certificate until such existing certificate shall have been so cancelled, except
in cases provided for in Section 6.04 of the Bylaws.

Section 6.02 Transfers of Stock. Transfers of shares of stock of the
Corporation shall be made only on the books of the Corporation by the registered
holder thereof, or by his or her attorney thereunto authorized by power of
attorney duly executed and filed with the Secretary, or with a transfer clerk or
a transfer agent appointed as provided in Section 6.03 of the Bylaws, and upon
surrender of the certificate or certificates for such shares properly endorsed
and the payment of all taxes thereon. The person in whose name shares of stock
stand on the books of the Corporation shall be deemed the owner thereof for all
purposes as regards the Corporation. Whenever any transfer of shares shall be
made for collateral security, and not absolutely, such fact shall be stated
expressly in the entry of transfer if, when the certificate or certificates
shall be presented to the Corporation for transfer, both the transferor and the
transferee request the Corporation to do so.

Section 6.03 Regulations. The Board may make such rules and regulations
as it may deem expedient, not inconsistent with the Bylaws, concerning the
issue, transfer and registration of certificates for shares of the stock of the
Corporation. It may appoint, or authorize any officer or officers to appoint,
one or more transfer clerks or one or more transfer agents and one or more
registrars, and may require all certificates for stock to bear the signature or
signatures of any of them.

Section 6.04 Lost, Stolen, Destroyed, And Mutilated Certificates. In any
case of loss, theft, destruction, or mutilation of any certificate of stock,
another may be issued in its place upon proof of such loss, theft, destruction,
or mutilation and upon the giving of a bond of indemnity to the Corporation in
such form and in such sum as the Board may direct; provided, however, that a new
certificate may be issued without requiring any bond when, in the judgment of
the Board, it is proper so to do.

Section 6.05 Fixing Date for Determination of Stockholders of Record. In
order that the Corporation may determine the stockholders entitled to notice of
or to vote at any meeting of stockholders or any adjournment thereof, or
entitled to receive payment of any dividend or other distribution or allotment
of any rights, or entitled to exercise any rights in respect of any other
change, conversion or exchange of stock or for the purpose of any other lawful
action, the Board may fix, in advance, a record date, which shall not be more
than 60 nor less than 10 days before the date of such meeting, nor more than 60
days prior to any other action. If, in any case involving the determination of
stockholders for any purpose other than notice of or voting at a meeting of
stockholders, the Board shall not fix such a record date, the record date for
determining stockholders for such purpose shall be the close of business on the
day on which the Board shall adopt the resolution relating thereto. A
determination of stockholders entitled to notice of or to vote at a meeting of
stockholders shall apply to any adjournment of such meeting; provided, however,
that the Board may fix a new record date for the adjourned meeting.

ARTICLE VII
MISCELLANEOUS

Section 7.01 Seal. The Board shall provide a corporate seal, which shall
be in the form of a circle and shall bear the name of the Corporation and words
Section 7.02 Waiver of Notices. Whenever notice is required to be given by the Bylaws or the Certificate of Incorporation or by law, the person entitled to said notice may waive such notice in writing, either before or after the time stated therein, and such waiver shall be deemed equivalent to notice.

Section 7.03 Fiscal Year. The fiscal year of the Corporation shall end on the 31st day of December of each year.

Section 7.04 Amendments. The Bylaws, or any of them, may be rescinded, altered, amended or repealed, and new Bylaws may be made, (i) by the Board, by vote of a majority of the number of directors then in office as directors, acting at any meeting of the Board, or (ii) by the vote of the holders of not less than 80% of the total voting power of all outstanding shares of voting stock of the Corporation, at any annual meeting of stockholders, without previous notice, or at any special meeting of stockholders, provided that notice of such proposed amendment, modification, repeal or adoption is given in the notice of special meeting. Any Bylaws made or altered by the stockholders may be altered or repealed by the Board or may be altered or repealed by the stockholders.
SECTION 1. Purpose of Plan

The purpose of the "2001 Key Employee Performance Incentive Plan" ("Plan") of Fluor Corporation, a Delaware corporation, is to enable the Company, as defined in Section 2.2(a)(ii) hereof, to attract, retain and motivate its officers, management and other key personnel, and to further align the interests of such persons with those of the shareholders of the Company, by providing for or increasing their proprietary interest in the Company.

SECTION 2. Administration of the Plan

2.1 Composition of Committee. The Plan shall be administered by the Organization and Compensation Committee of the Board of Directors, and/or by the Board of Directors or another committee of the Board of Directors of the Company, as appointed from time to time by the Board of Directors (any such administrative body, the "Committee"). The Board of Directors shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent. Notwithstanding the foregoing, the Committee may appoint one or more separate committees (any such committee, a "Subcommittee") composed of one or more directors of the Company (who may but need not be members of the Committee) and may delegate to any such Subcommittee(s) the authority to grant Awards, as defined in Section 5.1 hereof, under the Plan to Employees, to determine all terms of such Awards, and/or to administer the Plan or any aspect of it. Any action by any such Subcommittee within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee. The Committee may designate the Secretary of the Company or other Company employees to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute agreements evidencing Awards made under this Plan or other documents entered into under this Plan on behalf of the Committee or the Company.

2.2 Powers of the Committee. Subject to the express provisions of this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable in connection with the administration of this Plan with respect to the Awards over which such Committee has authority, including, without limitation, the following:

(a) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein; provided that, unless the Committee shall specify otherwise, for purposes of this Plan (i) the term "fair market value" shall mean, as of any date, the average of the highest price and the lowest price per share at which the Shares (as defined in Section 3.1 hereof) are sold in the regular way on the New York Stock Exchange or, if no Shares traded on the New York Stock Exchange on the date in question, then for the next preceding date for which Shares traded on the New York Stock Exchange; and (ii) the term "Company" shall mean Fluor Corporation and its subsidiaries and affiliates, unless the context otherwise requires.

(b) to determine which persons are Eligible Employees (as defined in Section 4 hereof), to which of such Eligible Employees, if any, Awards shall be granted hereunder, to make Awards under the Plan and to determine the terms of such Awards and the timing of any such Awards;

(c) to determine the number of Shares subject to Awards and the exercise or purchase price of such Shares;
(d) to establish and verify the extent of satisfaction of any performance goals applicable to Awards;

(e) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical);

(f) to determine whether, and the extent to which, adjustments are required pursuant to Section 11 hereof;

(g) to interpret and construe this Plan, any rules and regulations under the Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company; and

(h) to make all other determinations deemed necessary or advisable for the administration of the Plan.

2.3 Determinations of the Committee. All decisions, determinations and interpretations by the Committee or the Board regarding the Plan shall be final and binding on all Eligible Employees and Participants, as defined in Section 4 hereof. The Committee or the Board, as applicable, shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer of the Company or Eligible Employee and such attorneys, consultants and accountants as it may select.

SECTION 3. Stock Subject to Plan

3.1 Aggregate Limits. Subject to adjustment as provided in Section 11, at any time, the aggregate number of shares of the Company's common stock, $0.01 par value ("Shares"), issued pursuant to all Awards granted under this Plan shall not exceed 3,600,000; provided that no more than 500,000 of such Shares may be issued pursuant to all Restricted Stock Awards, Incentive Awards, and Stock Units (other than Stock Units issued upon exercise of Options and any such awards issued as Assumed Awards) granted under the Plan. The Shares subject to the Plan may be either Shares reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares.

3.2 Issuance of Shares. For purposes of Section 3.1, the aggregate number of Shares issued under this Plan at any time shall equal only the number of Shares actually issued upon exercise or settlement of an Award and not returned to the Company upon cancellation, expiration or forfeiture of an Award or delivered (either actually or by attestation) in payment or satisfaction of the purchase price, exercise price or tax obligation of an Award.

SECTION 4. Persons Eligible Under Plan

Any "Eligible Employee" shall be eligible to be considered for the grant of Awards under the Plan. For purposes of the Plan, an "Eligible Employee" is (i) any full-time employee in the United States who is an "exempt employee," as defined under Fair Labor Standards Act of 1938, (ii) any prospective full-time "exempt employee" of the Company, (iii) any key employee of any joint venture in which the Company or its subsidiaries is an equity participant, (iv) any consultant, and (v) any advisor of the Company. Notwithstanding the foregoing, if any Awards are granted to executive officers or directors of the Company, then at least a majority of the shares of stock or shares of stock underlying Options awarded under the Plan during any three year period must be awarded to employees who are not executive officers or directors of the Company. For purposes of this Plan, the Chairman of the Board's status as an Employee shall be determined by the Board. For purposes of the administration of Awards, the term "Eligible Employee" shall also include a former Eligible Employee or any person (including any estate) who is a beneficiary of a former Eligible Employee. A "Participant" is any Eligible Employee to whom an Award has been
made and any person (including any estate) to whom an Award has been assigned or transferred pursuant to Section 10.1.

SECTION 5. Plan Awards

5.1 Award Types. The Committee, on behalf of the Company, is authorized under this Plan to enter into certain types of arrangements with Eligible Employees and to confer certain benefits on them. The following such arrangements or benefits are authorized under the Plan if their terms and conditions are not inconsistent with the provisions of the Plan: Stock Options, Restricted Stock, Incentive Awards, Stock Units and Assumed Awards. Such arrangements and benefits are sometimes referred to herein as "Awards." The authorized types of arrangements and benefits for which Awards may be granted are defined as follows:

Stock Option Awards: A Stock Option is a right granted under Section 6 to purchase a number of Shares at such exercise price, at such times, and on such other terms and conditions as are specified in or determined pursuant to the document(s) evidencing the Award (the "Option Agreement"). Only Options which are not intended to qualify as Incentive Stock Options pursuant to Section 422 of the Internal Revenue Code (i.e., only "Non-qualified Options") may be granted under the Plan.

Restricted Stock Awards: Restricted Stock is an award of Shares made under Section 7, the grant, issuance, retention and/or vesting of which is subject to such performance and other conditions as are expressed in the document(s) evidencing the Award (the "Restricted Stock Agreement").

Incentive Awards: An Incentive Award is a bonus opportunity awarded under Section 8 pursuant to which a Participant may become entitled to receive an amount (which may be payable in cash, Shares or other property) based on satisfaction of such performance criteria as are specified in the document(s) evidencing the Award (the "Incentive Bonus Agreement").

Stock Unit Awards: A Stock Unit Award is an award of a right to receive the fair market value of one share of Common Stock made under Section 9, the grant, issuance, retention and/or vesting of which is subject to such performance and other conditions as are expressed in the document(s) evidencing the Award (the "Stock Unit Agreement").

5.2 Grants of Awards. An Award may consist of one such arrangement or benefit or two or more of them in tandem or in the alternative.

SECTION 6. Stock Option Awards

The Committee may grant an Option or provide for the grant of an Option, either from time-to-time in the discretion of the Committee or automatically upon the occurrence of specified events, including, without limitation, the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Award, within the control of others or not within any person’s control.

6.1 Option Agreement. Each Option Agreement shall contain provisions regarding (a) the number of Shares which may be issued upon exercise of the Option, (b) the purchase price of the Shares and the means of payment for the Shares, (c) the term of the Option, (d) such terms and conditions of exercisability as may be determined from time to time by the Committee, (e) restrictions on the transfer of the Option and forfeiture provisions, and (f) such further terms and
conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee.

6.2 Option Price. The purchase price per Share of the Shares subject to each Option granted under the Plan shall equal or exceed 100% of the fair market value of such Stock on the date the Option is granted, except that (i) the Committee may specifically provide that the exercise price of an Option may be higher or lower in the case of an Option granted to employees of a company acquired by the Company in assumption and substitution of options held by such employees at the time such company is acquired, and (ii) in the event an Eligible Employee is required to pay or forego the receipt of any cash amount in consideration of receipt of an Option, the exercise price plus such cash amount shall equal or exceed 100% of the fair market value of such Stock on the date the Option is granted.

6.3 Option Term. The "Term" of each Option granted under the Plan, including any ISOs, shall not exceed ten (10) years from the date of its grant.

6.4 Option Vesting. Options granted under the Plan shall be exercisable at such time and in such installments during the period prior to the expiration of the Option's Term as determined by the Committee in its sole discretion. The Committee shall have the right to make the timing of the ability to exercise any Option granted under the Plan subject to such performance requirements as deemed appropriate by the Committee. At any time after the grant of an Option the Committee may, in its sole discretion, reduce or eliminate any restrictions surrounding any Participant’s right to exercise all or part of the Option.

6.5 Option Exercise.

(a) Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional Shares and the Committee may require, by the terms of the Option Agreement, a partial exercise to include a minimum number of Shares.

(b) Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery to the representative of the Company designated for such purpose by the Committee all of the following: (i) notice of exercise in such form as the Committee authorizes specifying the number of Shares to be purchased by the Participant, (ii) payment or provision for payment of the exercise price for such number of Shares, (iii) such representations and documents as the Committee, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal, state or foreign securities laws or regulations, (iv) in the event that the Option shall be exercised pursuant to Section 10.1 by any person or persons other than the Eligible Employee, appropriate proof of the right of such person or persons to exercise the Option, and (v) such representations and documents as the Committee, in its sole discretion, deems necessary or advisable to provide for the tax withholding pursuant to Section 13. Unless provided otherwise by the Committee, no Participant shall have any right as a shareholder with respect to any Shares purchased pursuant to any Option until the registration of Shares in the name of such person, and no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such Shares are so registered.

(c) Payment of Exercise Price. To the extent authorized by the Committee,
the exercise price of an Option may be paid in the form of one of more of the following, either through the terms of the Option Agreement or at the time of exercise of an Option: (i) cash or certified or cashiers' check, (ii) shares of capital stock of the Company that have been held by the Participant for such period of time as the Committee may specify, (iii) other property deemed acceptable by the Committee, (iv) a reduction in the number of Shares or other property otherwise issuable pursuant to such Option, (v) a promissory note of or other commitment to pay by the Participant or of a third party, the terms and conditions of which shall be determined by the Committee, or (vi) any combination of (i) through (v).

SECTION 7. Restricted Stock Awards

Restricted Stock consists of an award of Shares, the grant, issuance, retention and/or vesting of which shall be subject to such performance conditions and to such further terms and conditions as the Committee deems appropriate.

7.1 Restricted Stock Award. Each Restricted Stock Award shall reflect, to the extent applicable (a) the number of Shares subject to such Award or a formula for determining such, (b) the time or times at which Shares shall be granted or issued and/or become retainable or vested, and the conditions or restrictions on such Shares, (c) the performance criteria and level of achievement versus these criteria which shall determine the number of Shares granted, issued, retainable and/or vested, (d) the period as to which performance shall be measured for determining achievement of performance, (e) forfeiture provisions, and (f) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee.

7.2 Restrictions and Performance Criteria. The grant, issuance, retention and/or vesting of each Restricted Stock Award may be subject to such performance criteria and level of achievement versus these criteria as the Committee shall determine, which criteria may be based on financial performance, personal performance evaluations and/or completion of service by the Participant.

7.3 Timing and Form of Award. The Committee shall determine the timing of award of any Restricted Stock Award. The Committee may provide for or, subject to such terms and conditions as the Committee may specify, may permit a Participant to elect for the award or vesting of any Restricted Stock to be deferred to a specified date or event. The Committee may provide for a Participant to have the option for his or her Restricted Stock, or such portion thereof as the Committee may specify, to be granted in whole or in part in Stock Units.

7.4 Discretionary Adjustments. Notwithstanding satisfaction of any completion of service or performance goals, the number of Shares granted, issued, retainable and/or vested under a Restricted Stock Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

SECTION 8. Incentive Awards

Each Incentive Award will confer upon the Eligible Employee the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period of not less than one year.

8.1 Incentive Award. Each Incentive Award shall contain provisions regarding (a) the target and maximum amount payable to the Participant as an Incentive Award, (b) the performance criteria and level of achievement versus these
criteria which shall determine the amount of such payment, (c) the period as to which performance shall be measured for establishing the amount of any payment, (d) the timing of any payment earned by virtue of performance, (e) restrictions on the alienation or transfer of the Incentive Award prior to actual payment, (f) forfeiture provisions, and (g) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee. In establishing the provisions of Incentive Awards, the Committee may refer to categories of such Awards as parts of "Programs" or "Plans", which names will not affect the applicability of this Plan.

8.2 Performance Criteria. The Committee shall establish the performance criteria and level of achievement versus these criteria which shall determine the target and the minimum and maximum amount payable under an Incentive Award, which criteria may be based on financial performance and/or personal performance evaluations.

8.3 Timing and Form of Payment. The Committee shall determine the timing of payment of any Incentive Award. The Committee may provide for or, subject to such terms and conditions as the Committee may specify, may permit a Participant to elect for the payment of any Incentive Award to be deferred to a specified date or event. The Committee may specify the form of payment of Incentive Awards, which may be cash, shares or other property, or may provide for a Participant to have the option for his or her Incentive Award, or such portion thereof as the Committee may specify, to be paid in whole or in part in Shares or Stock Units.

8.4 Discretionary Adjustments. Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

SECTION 9. Stock Units

9.1 Stock Units. A "Stock Unit" is a bookkeeping entry representing an amount equivalent to the fair market value of one share of Common Stock, also sometimes referred to as a "restricted unit" or "shadow stock". Stock Units represent an unfunded and unsecured obligation of the Company, except as otherwise provided for by the Committee.

9.2 Stock Unit Awards. Each Stock Unit Award shall reflect, to the extent applicable (a) the number of Stock Units subject to such Award or a formula for determining such, (b) the time or times at which Stock Units shall be granted or issued and/or become retainable or vested, and the conditions or restrictions on such Stock Units, (c) the performance criteria and level of achievement versus these criteria which shall determine the number of Stock Units granted, issued, retainable and/or vested, (d) the period as to which performance shall be measured for determining achievement of performance, (e) forfeiture provisions, and (f) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee. Stock Units may also be issued upon exercise of Options, may be granted in payment and satisfaction of Incentive Awards and may be issued in lieu of Restricted Stock or any other Award that the Committee elects to be paid in the form of Stock Units.

9.3 Performance Criteria. The grant, issuance, retention and or vesting of each Stock Unit may be subject to such performance criteria and level of achievement versus these criteria as the Committee shall determine, which criteria may be based on financial performance, personal performance evaluations and/or completion of service by the Participant; provided, however, that no
Stock Unit shall first vest within one (1) year from its date of grant, other than upon death, disability, a Change of Control (as defined in Section 12.2 hereof) or upon satisfaction of such performance requirements as deemed appropriate by the Committee.

9.4 Timing and Form of Award. The Committee shall determine the timing of award of any Stock Unit. The Committee may provide for or, subject to such terms and conditions as the Committee may specify, may permit a Participant to elect for the award or vesting of any Stock Unit to be deferred to a specified date or event. The Committee may provide for a Participant to have the option for his or her Stock Unit, or such portion thereof as the Committee may specify, to be granted in whole or in part in Shares.

9.5 Settlement of Stock Units. The Committee may provide for Stock Units to be settled in cash or Shares (at the election of the Company or the Participant, as specified by the Committee) and to be made at such other times as it determines appropriate or as it permits a Participant to choose. The amount of cash or Shares, or other settlement medium, to be so distributed may be increased by an interest factor or by dividend equivalents, as the case may be, which may be valued as if reinvested in Shares. Until a Stock Unit is settled, the number of Shares represented by a Stock Unit shall be subject to adjustment pursuant to Section 11.

9.6 Discretionary Adjustments. Notwithstanding satisfaction of any completion of service or performance goals, the number of Stock Units granted, issued, retainable and/or vested under a Stock Unit Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

SECTION 10. Other Provisions Applicable to Awards

10.1 Transferability. During an Eligible Employee's lifetime, Options may be exercised only by the Participant. Unless the agreement evidencing an Award (or an amendment thereto authorized by the Committee) expressly states that it is transferable as provided hereunder, no Award granted under the Plan, nor any interest in such Award, may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner, other than by will or the laws of descent and distribution, prior to the vesting or lapse of any and all restrictions applicable to any Shares issued under an Award. The Committee may in its sole discretion grant an Award or amend an outstanding Award to provide that the Award is transferable or assignable to a member or members of the Eligible Employee's "immediate family", as such term is defined under Rule 16a-1(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), or to a trust for the benefit solely of a member or members of the Eligible Employee's immediate family, or to a partnership or other entity whose only owners are members of the Eligible Employee's family, provided that following any such transfer or assignment the Award will remain subject to substantially the same terms applicable to the Award while held by the Eligible Employee, as modified as the Committee in its sole discretion shall determine appropriate, and the Participant shall execute an agreement agreeing to be bound by such terms.

10.2 Qualifying Performance Criteria. For purposes of this Plan, the term "Qualifying Performance Criteria" shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, subsidiary or business segment, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee in the Award: (a) cash flow, (b) earnings (including gross margin, earnings before
interest and taxes ("EBIT"), earnings before taxes ("EBIT"), and net earnings),
(c) earnings per share, (d) growth in earnings or earnings per share, (e) stock
price, (f) return on equity or average stockholders' equity, (g) total
stockholder return, (h) return on capital, (i) return on assets or net assets,
(j) return on investment, (k) revenue, (l) income or net income, (m) operating
income or net operating income, (n) operating profit or net operating profit,
(o) operating margin, (p) return on operating revenue, (q) market share, (r)
contract awards or backlog, (s) overhead or other expense reduction, (t) growth
in stockholder value relative to the two-year moving average of the S&P 500
Index, (u) growth in stockholder value relative to the two-year moving average
of the Dow Jones Heavy Construction Index, (v) credit rating, (w) strategic plan
development and implementation, (x) succession plan development and
implementation, (y) retention of executive talent, (z) improvement in workforce
diversity, (aa) return on average stockholders' equity relative to the Ten Year
Treasury Yield (as hereinafter defined), (bb) improvement in safety records, (cc) capital
resource management plan development and implementation, (dd) improved internal
financial controls plan development and implementation, (ee) corporate tax
savings, (ff) corporate cost of capital reduction, (gg) investor relations
program development and implementation, (hh) corporate relations program
development and implementation, (ii) executive performance plan development and
implementation, and (jj) tax provision rate for financial statement purposes.
The Committee may appropriately adjust any evaluation of performance under a
Qualifying Performance Criteria to exclude any of the following events that
occurs during a performance period: (i) asset write-downs, (ii) litigation or
claim judgments or settlements, (iii) the effect of changes in tax law,
accounting principles or other such laws or provisions affecting reported
results, (iv) accruals for reorganization and restructuring programs, and (v)
any extraordinary non-recurring items as described in Accounting Principles
Board Opinion No. 30 and/or in management's discussion and analysis of financial
condition and results of operations appearing in the Company's annual report to
stockholders for the applicable year. The term "Ten Year Treasury Yield" shall
mean, for any fiscal period, the daily average percent per annum yield for U.S.
Government Securities -- 10 year Treasury constant maturities, as published in
the Federal Reserve statistical release or any successor publication.

10.3 Dividends. Unless otherwise provided by the Committee, no adjustment
shall be made in Shares issuable under Awards on account of cash dividends which
may be paid or other rights which may be issued to the holders of Shares prior
to their issuance under any Award. The Committee shall specify whether
dividends or dividend equivalent amounts shall be paid to any Participant with
respect to the Shares subject to any Award that have not vested or been issued
or that are subject to any restrictions or conditions on the record date for
dividends.

10.4 Agreements Evidencing Awards. The Committee shall, subject to applicable
law, determine the date an Award is deemed to be granted, which for purposes of
this Plan shall not be affected by the fact that an Award is contingent on
subsequent stockholder approval of the Plan. The Committee or, except to the
extent prohibited under applicable law, its delegate(s) may establish the terms
of agreements evidencing Awards under this Plan and may, but need not, require
as a condition to any such agreement's effectiveness that such agreement be
executed by the Participant and that such Participant agree to such further
terms and conditions as specified in such agreement. The grant of an Award
under this Plan shall not confer any rights upon the Participant holding such
Award other than such terms, and subject to such conditions, as are specified in
this Plan as being applicable to such type of Award (or to all Awards) or as are
expressly set forth in the Agreement evidencing such Award.

10.5 Tandem Stock or Cash Rights. Either at the time an Award is granted or by
subsequent action, the Committee may, but need not, provide that an Award shall
contain as a term thereof, a right, either in tandem with the other rights under
the Award or as an alternative thereto, of the Participant to receive, without
payment to the Company, a number of Shares, cash or a combination thereof, the
amount of which is determined by reference to the value of the Award.

10.6 Financing. The Committee may in its discretion provide financing to a

Participant in a principal amount sufficient to pay the purchase price of any
Award and/or to pay the amount of taxes required by law to be withheld with
respect to any Award. Any such loan shall be subject to all applicable legal
requirements and restrictions pertinent thereto, including Regulation G

promulgated by the Federal Reserve Board. The grant of an Award shall in no way
oblige the Company or the Committee to provide any financing whatsoever in
connection therewith.

SECTION 11. Changes in Capital Structure

If the outstanding securities of the class then subject to this Plan are
increased, decreased or exchanged for or converted into cash, property or a
different number or kind of shares or securities, or if cash, property or shares
or securities are distributed in respect of such outstanding securities, in
either case as a result of a reorganization, merger, consolidation,
recapitalization, restructuring, reclassification, dividend (other than a
regular, quarterly cash dividend) or other distribution, stock split, reverse
stock split, spin-off or the like, or if substantially all of the property and
assets of the Company are sold, then, unless the terms of such transaction shall
provide otherwise, the Committee may make appropriate and proportionate
adjustments in (i) the number and type of shares or other securities or cash or
other property that may be acquired pursuant to Awards theretofore granted under
this Plan and the exercise or settlement price of such Awards, and (ii) the
maximum number and type of shares or other securities that may be issued
pursuant to such Awards thereafter granted under this Plan.

SECTION 12. Change of Control

12.1 Effect of Change of Control. The Committee may through the terms of the

Award or otherwise provide that any or all of the following shall occur, either
immediately upon the Change of Control or a Change of Control Transaction, or
upon termination of the Eligible Employee’s employment within twenty-four (24)
months following a Change of Control or a Change of Control Transaction: (a) in
the case of an Option, the Participant’s ability to exercise any portion of the
Option not previously exercisable, (b) in the case of an Incentive Award, the
right to receive a payment equal to the target amount payable or, if greater, a
payment based on performance through a date determined by the Committee prior to
the Change of Control, and (c) in the case of Shares issued in payment of any
Incentive Award, and/or in the case of Restricted Stock or Stock Units, the
lapse and expiration of any conditions to the grant, issuance, retention,
vesting or transferability of, or any other restrictions applicable to, such
Award. The Committee also may, through the terms of the Award or otherwise,
provide for an absolute or conditional exercise, payment or lapse of conditions
or restrictions on an Award which shall only be effective if, upon
the announcement of a Change of Control Transaction, no provision is made in such
Change of Control Transaction for the exercise, payment or lapse of conditions
or restrictions on the Award, or other procedure whereby the Participant may
realize the full benefit of the Award.

12.2 Definitions. Unless the Committee or the Board shall provide otherwise,

"Change of Control" shall mean an occurrence of any of the following events (a)
a third person, including a "group" as defined in Section 13(d)(3) of the
Exchange Act, acquires shares of the Company having twenty-five percent or more
of the total number of votes that may be cast for the election of directors of
the Company, (b) as the result of any cash tender or exchange offer, merger or
other business combination, or any combination of the foregoing transactions (a
"Transaction"), the persons who were directors of the Company before the
Transaction shall cease to constitute a majority of the Board of the Company or
any successor to the Company; or (c) such other events as the Committee or the
Board from time to time may specify. "Change of Control Transaction"

shall include any tender offer, offer, exchange offer, solicitation, merger, consolidation, reorganization or other transaction which is intended to or reasonably expected to result in a Change of Control.

SECTION 13. Taxes

13.1 Withholding Requirements. The Committee may make such provisions or impose such conditions as it may deem appropriate for the withholding or payment by the Employee or Participant, as appropriate, of any taxes which it determines are required in connection with any Awards granted under this Plan, and a Participant's rights in any Award are subject to satisfaction of such conditions.

13.2 Payment of Withholding Taxes. Notwithstanding the terms of Section 13.1 hereof, the Committee may provide in the agreement evidencing an Award or otherwise that all or any portion of the taxes required to be withheld by the Company or, if permitted by the Committee, desired to be paid by the Participant, in connection with the exercise of a Non-qualified Option or the exercise, vesting, settlement or transfer of any other Award shall be paid or, at the election of the Participant, may be paid by the Company withholding shares of the Company's capital stock otherwise issuable or subject to such Award, or by the Participant delivering previously owned shares of the Company's capital stock, in each case having a fair market value equal to the amount required or elected to be withheld or paid. Any such elections are subject to such conditions or procedures as may be established by the Committee and may be subject to disapproval by the Committee.

SECTION 14. Amendments or Termination

The Board may amend, alter or discontinue the Plan or any agreement evidencing an Award made under the Plan at such time and for such purposes as it determines appropriate, except that after the date of a Change of Control, no such action may impair the rights of any Award holder, without such holder's consent, under any Award granted prior to the date of any Change of Control. Any amendment or alteration of the Plan shall be subject to approval of the Company's stockholders only to the extent required by applicable law:

(e) extend the term of the Plan; or

(f) change the class of persons eligible to be Participants.

SECTION 15. Compliance With Other Laws and Regulations

The Plan, the grant and exercise of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all applicable federal, state and foreign laws, rules and regulations and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Shares prior to the completion of any registration or qualification of such Shares under any federal, state or foreign law or any ruling or regulation of any government body which the Committee shall, in its sole discretion, determine to be necessary or advisable. This Plan is intended to constitute an unfunded arrangement for a select group of management or other key employees.

No Option shall be exercisable unless a registration statement with respect to the Option is effective or the Company has determined that such registration is unnecessary. Unless the Awards and Shares covered by this Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person receiving an Award and/or Shares pursuant to any Award may be required by the Company to give a representation in writing that such person is acquiring such Shares for his or her own account for investment and not with a view to, or for sale in connection
SECTION 16. Option Grants by Subsidiaries

In the case of a grant of an Option to any Eligible Employee employed by a subsidiary or affiliate, such grant may, if the Committee so directs, be implemented by the Company issuing any subject Shares to the subsidiary or affiliate, for such lawful consideration as the Committee may determine, upon the condition or understanding that the subsidiary or affiliate will transfer the Shares to the optionholder in accordance with the terms of the Option specified by the Committee pursuant to the provisions of the Plan. Notwithstanding any other provision hereof, such Option may be issued by and in the name of the subsidiary or affiliate and shall be deemed granted on such date as the Committee shall determine.

SECTION 17. No Right to Company Employment

Nothing in this Plan or as a result of any Award granted pursuant to this Plan shall confer on any individual any right to continue in the employ of the Company or interfere in any way with the right of the Company to terminate an individual's employment at any time. The Award agreements may contain such provisions as the Committee may approve with reference to the effect of approved leaves of absence.

SECTION 18. Effectiveness and Expiration of Plan

The Plan shall be effective on the date the Board adopts the Plan and Old Fluor approves the Plan as sole stockholder of the Company. No Stock Option Award, Restricted Stock Award or Incentive Award shall be granted pursuant to the Plan more than ten (10) years after the effective date of the Plan.

SECTION 19. Non-Exclusivity of the Plan

Neither the adoption of the Plan by the Board nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as it or they may deem desirable, including without limitation, the granting of restricted stock or stock options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

SECTION 20. Governing Law

This Plan and any agreements hereunder shall be interpreted and construed in accordance with the laws of the State of Delaware and applicable federal law. The Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Any reference in this Plan or in the agreement evidencing any Award to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.