

PERINI CORP  
Form 424B3  
December 05, 2005  
Table of Contents

Filed pursuant to Rule 424(b)(3)

Registration No. 333-117344

**The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.**

PRELIMINARY PROSPECTUS SUPPLEMENT

Subject to Completion

December 5, 2005

---

(To Prospectus dated March 15, 2005)

**5,042,382 Shares**

## **Common Stock**

---

The selling stockholders identified in this prospectus supplement are offering shares of our common stock. We will not receive any proceeds from the sale of the shares by the selling stockholders.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol **PCR**. The last reported sale price of our common stock on the NYSE on December 2, 2005 was \$26.30 per share.

**Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our common stock in Prospectus Supplement Summary Supplemental Risk Factors beginning on page S-8 of this prospectus supplement and Risk Factors beginning on page 5 of the accompanying prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

The underwriters may also purchase up to an additional 756,357 shares of common stock from the selling stockholders at the public offering price, less underwriting discounts and commissions payable by the selling stockholders, to cover over-allotments, if any, within 30 days from the date of this prospectus supplement. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be \$ , and the total proceeds, before expenses, to the selling stockholders will be \$ .

The underwriters are offering the shares of our common stock as set forth under Underwriting . Delivery of the shares of common stock will be made on or about , 2005.

*Sole Book-Running Manager*

## UBS Investment Bank

---

**D.A. Davidson & Co.**

**Morgan Joseph & Co. Inc.**

**Table of Contents**

---

**Table of Contents**


---

You should rely only on the information included in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. We are not, and the underwriters are not, offering to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

---

**TABLE OF CONTENTS**


---

S-i

**Prospectus Supplement**

<u>About this prospectus supplement</u>	S-ii
<u>Prospectus supplement summary</u>	S-1
<u>Cautionary note regarding forward-looking statements</u>	S-15
<u>Use of proceeds</u>	S-15
<u>Capitalization</u>	S-16
<u>Market price of our common stock and dividend policy</u>	S-18
<u>Management's discussion and analysis of financial condition and results of operations</u>	S-19
<u>Selling stockholders</u>	S-32
<u>Underwriting</u>	S-34
<u>Notice to Canadian residents</u>	S-38
<u>Notice to investors</u>	S-39
<u>Legal matters</u>	S-40
<u>Index to financial statements</u>	F-1

**Base Prospectus**

Prospectus summary	1
Risk factors	5
Cautionary note regarding forward-looking statements	15
Use of proceeds	15
Dividend policy	15
Market price of our common stock	16
Capitalization	17
Selected historical consolidated financial data	18
Management's discussion and analysis of financial condition and results of operations	20
Business	36
Management	51
Certain transactions	60
Selling stockholders	63
Principal stockholders	65
Description of capital stock	67
Plan of distribution	73
Legal matters	75
Experts	75
Where you can find more information	75
Index to financial statements	F-1

---

**Table of Contents**

---

## About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined.

If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement. This prospectus supplement and the accompanying prospectus include important information about us, the shares being offered and other information you should know before investing in our common stock. You should read this prospectus supplement and the accompanying prospectus as well as additional information described under "Where you can find more information" in the accompanying prospectus before investing in our common stock.

All references to Perini Corporation, the Company, us, we and our in this prospectus supplement and the accompanying prospectus mean, unless the context indicates otherwise, Perini Corporation together with its consolidated subsidiaries. All references in this prospectus supplement to our consolidated financial statements or consolidated condensed financial statements include, unless the context indicates otherwise, the related notes. The market data included in this prospectus supplement and the accompanying prospectus, including growth rates and information relating to our relative position in the industries we serve, are based on internal surveys, market research, publicly available information and industry publications. Although we believe that such independent sources are reliable, we have not independently verified the information contained in them.

No dealer, sales representative or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this prospectus supplement and the accompanying prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by us or any other person.

This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock to which it relates or an offer to, or a solicitation of, any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs or that information contained in this prospectus supplement and the accompanying prospectus is correct as of any time subsequent to the date stated or the date hereof.

S-ii

---

---

**Table of Contents**

## Prospectus supplement summary

*This summary contains information about our business and the offering of our common stock. It does not contain all of the information that you need to consider in making an investment decision. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the information under Supplemental Risk Factors in this prospectus supplement and Risk Factors in the accompanying prospectus and our consolidated financial statements and the related notes, before making an investment decision. All references to Perini Corporation, the Company, us, we and our in this prospectus supplement and the accompanying prospectus mean, unless the context indicates otherwise, Perini Corporation together with its consolidated subsidiaries.*

### **OUR COMPANY**

We are a leading construction and management services company offering diversified general contracting, construction management and design-build services to private clients and government agencies throughout the world. We have provided construction services since 1894 and have established a strong reputation within our markets by executing large, complex projects on time and within budget while adhering to strict quality control measures. We offer general contracting, pre-construction planning and comprehensive construction management services, including the planning and scheduling of the manpower, equipment, materials and subcontractors required for a project. We also offer self-performed construction services, including site work, concrete forming and placement and steel erection. During the first nine months of 2005, we performed work on over 100 separate construction projects for more than 65 federal, state and local government agencies or authorities and private clients, generating revenues of \$1.1 billion, income from construction operations of \$31.2 million and diluted earnings per share of \$0.66. From 2000 through 2004, revenues, income from construction operations and diluted earnings per share have increased at a compound annual growth rate of 13.6%, 16.5% and 37.4%, respectively. As of September 30, 2005, we had backlog of approximately \$3.33 billion, excluding our recently announced \$463 million contract for the expansion of the Foxwoods Resort Casino in southeastern Connecticut, our recent selection as general contractor for Project CityCenter in Las Vegas for MGM MIRAGE, with an estimated value in excess of \$3.0 billion, which is subject to agreement on final contract terms, and an estimated \$945 million of backlog of Rudolph and Sletten, Inc., our most recent acquisition.

We operate through three primary segments: building, civil and management services. Our building segment, which is comprised of Perini Building Company, James A. Cummings, Inc. and the recently acquired Rudolph and Sletten, focuses on large, complex projects in the hospitality and gaming, sports and entertainment, education, transportation, healthcare, biotech, pharmaceutical and high-tech markets. Our civil segment, which is comprised of Perini Civil Construction and Cherry Hill Construction, Inc., is involved in public works construction primarily in the Northeast and Mid-Atlantic regions of the United States, including the repair, replacement and reconstruction of public infrastructure such as highways, bridges, wastewater treatment facilities and mass transit systems. Our management services segment provides diversified construction, design-build and maintenance services to the United States military and other government agencies as well as multi-national corporations and surety companies.

S-1

## Table of Contents

The following charts present our revenues by segment for the nine months ended September 30, 2005 and our backlog by segment as of September 30, 2005 (in millions):

## OUR STRENGTHS

We believe our position as a leading construction and management services company is supported by the following principal competitive strengths:

- Ø **Substantial and Growing Backlog.** We believe our substantial backlog of uncompleted construction work provides us with visibility into our future performance. As of September 30, 2005, our backlog of uncompleted construction work was \$3.33 billion, up 189% from backlog of \$1.15 billion as of December 31, 2004. Our September 30, 2005 backlog does not include our recently announced \$463 million contract for the expansion of the Foxwoods Resort Casino in southeastern Connecticut, our recent selection as general contractor for Project CityCenter in Las Vegas for MGM MIRAGE, with an estimated value in excess of \$3.0 billion, which is subject to agreement on final contract terms, and an estimated \$945 million of backlog of Rudolph and Sletten, our most recent acquisition. Including these items, which assumes signed contracts on Project CityCenter, our backlog would be approximately \$7.7 billion. In 2004, approximately 65% of our annual revenue was derived from projects in backlog at the beginning of the fiscal year.
  
- Ø **Market Leadership in Key Building End Markets.** Our significant experience, strong client relationships and design-build expertise support our market leadership positions in the United States. According to *Engineering News-Record's* 2005 ranking based on revenues, we are the largest contractor in the hotel, motel and convention center market and one of the top 10 contractors in the entertainment market in the United States. We are a recognized leader in the hospitality and gaming market, specializing in the construction of high-end destination resorts and casinos and Native American casino developments. Our reputation for completing projects on time is a significant competitive advantage in the hospitality and gaming market, as any delay in project completion may result in significant loss of revenues for the client. We believe our success results from our proven ability to manage and perform large, complex projects with aggressive fast-track schedules, elaborate designs and advanced systems, while providing accurate budgeting and strict quality control. We have recently been awarded contracts for several high profile resorts and casinos, most notably the Trump International Hotel & Tower, The Cosmopolitan Resort & Casino, the Foxwoods Resort Casino expansion and the Gaylord National Resort and Convention Center. We have also completed work on several other high profile resorts and casinos, most notably the Paris Las Vegas, Mohegan Sun, Morongo Casino Resort & Spa, Pecharanga Resort & Casino, Seminole Hard Rock Hotels & Casinos and The Augustus Tower at Caesars Palace.

S-2

---

**Table of Contents**

- Ø ***Proven Nationwide Capabilities.*** We believe that our national network of construction and management services differentiates us from our competitors, specifically in end markets that require complex solutions. Our nationwide capabilities, long-term client relationships and proven expertise allow us to capture additional business from existing clients seeking to expand their geographic or local presence and market share. We continue to successfully leverage our nationwide capabilities to assist our clients as they expand into other geographic regions. For example, MGM MIRAGE, Harrah's Entertainment, Inc., Station Casinos, Inc. and Gaylord Entertainment Co. have utilized our nationwide capabilities to expand their operations.
- Ø ***Long-term Relationships with Major Clients.*** Our leadership in key markets has allowed us to develop long-term relationships with our major private sector clients, generating significant repeat business. For example, due in part to our success on previous projects and our existing relationships, we are currently under contract to perform construction services for major projects with repeat clients such as Trump Entertainment Resorts Inc., Station Casinos, Inc., Gaylord Entertainment Co. and MGM MIRAGE. We have also been awarded several expansion projects for facilities for which we have previously provided construction services, such as Station Casinos, Inc., Thunder Valley Casino, Pechanga Resort & Casino and Harrah's Entertainment, Inc. In addition, our relationships and performance with clients in the high-growth building segment enables us to execute projects primarily on a negotiated basis as opposed to competitive bidding processes. We believe our long-term relationships and proven performance provide us with a significant competitive advantage when competing for new business across all of our segments.
- Ø ***Extensive Experience in Complex Civil Construction.*** For over 100 years, we have provided specialized civil construction services, with an emphasis on large, complex projects in dense urban areas. We have completed or are currently working on some of the most significant civil construction projects in the Northeastern United States, including multiple portions of Boston's Big Dig project, New Jersey Light Rail Transit, the Triborough Bridge and Whitestone Bridge rehabilitations, Jamaica Station and a section of the Long Island Expressway. We consistently qualify to compete for major projects in the Northeastern United States due to our proven record of performance and strong financial position. With our January 2005 acquisition of Cherry Hill, we have expanded our civil construction presence in the Mid-Atlantic and Southeastern United States.
- Ø ***Established Construction Management Services for Challenging Projects.*** Our clients often rely on us to respond rapidly to complex projects in challenging business or operating environments throughout the world. In addition to our rapid response services, we provide design-build, maintenance and contract completion services to our clients. Our management services segment clients include the United States military and other government agencies, as well as multi-national corporations, including Exelon Corp., General Dynamics Corp. and Raytheon Co., and surety companies. We are extensively involved with the United States Army Corps of Engineers in the design-build construction of four military bases for the Afghan National Army and with multiple agencies for projects related to the reconstruction of Iraq. In March 2005, we completed a five-year contract to upgrade the perimeter and technical security for 30 United States embassies and consulates around the world. We also provide outage planning, management, maintenance and modification services to 10 nuclear power generating stations in the United States under a contract with Exelon Corp.
- Ø ***Diversified Revenue Base.*** Our revenue is diversified across a broad range of end markets, which has historically mitigated our exposure to cyclicity in individual end markets. We provide building services to the hospitality and gaming, sports and entertainment, education, transportation and healthcare markets and have extensive civil experience constructing highways, bridges, wastewater treatment facilities and mass transit systems. In addition, our management services segment provides services to the United States military and other government agencies as well as multi-national corporations and surety companies.

S-3



---

## **Table of Contents**

For the first nine months of 2005, our building, management services and civil segments accounted for 64%, 19% and 17% of revenues and 75%, 10% and 15% of backlog, respectively. We also have a diversified client base, with 35% and 65% of our revenues for the first nine months of 2005 coming from the public and private sectors, respectively, and we performed work for more than 65 federal, state and local government agencies or authorities and private clients during this period. In addition, our recent acquisition of Rudolph and Sletten further diversifies our revenue base by allowing us to expand our building services into new end markets.

- Ø ***Strong Financial Position.*** Our senior management team has successfully developed a business model that has consistently made us profitable. Over the past five years we have generated income from construction operations ranging from \$27.4 million in fiscal 2000 to \$50.3 million in fiscal 2004, and \$31.2 million for the nine months ended September 30, 2005. We have also increased our stockholders equity from \$60.6 million as of December 31, 2000 to \$195.9 million as of September 30, 2005. As of September 30, 2005, our cash and cash equivalents were \$100.1 million and we had borrowing capacity of \$47.2 million under our \$50 million revolving credit facility.
- Ø ***Stable, Proven Senior Management Team and Highly Skilled Workforce.*** Our senior management team and workforce bring significant industry work experience and specialized project expertise to our project operations. Our six-person senior executive management team has an average of 26 years of experience with our company. Together, our top 49 senior executives and operating managers have an average of approximately 17 years of experience with us. In addition, we have over 1,500 salaried employees on staff to manage our substantial backlog. Under the current management team's leadership, we have improved our revenues and income from construction operations from \$1.1 billion and \$27.4 million, respectively, in fiscal 2000 to a record \$1.8 billion and \$50.3 million, respectively, in fiscal 2004, while significantly diversifying our revenue base into new end markets and geographies. This performance represents compound annual growth rates of 13.6% and 16.5% in revenues and income from construction operations, respectively, over this period.

## **OUR STRATEGY**

We seek to increase shareholder value by pursuing the following growth strategies:

- Ø ***Leverage Leadership Position and Strong Relationships in Hospitality and Gaming Market.*** The hospitality and gaming market continues to be a significant growth area for us. We intend to leverage our leadership position by emphasizing our experience and our proven ability to complete challenging projects on accelerated schedules. We have established strong relationships with numerous traditional gaming companies and Native American tribes that we have leveraged to generate additional projects. As a result of referrals from our existing Native American hospitality and gaming clients, we have been awarded several projects by other Native American clients throughout the United States. For example, the Morongo Casino Resort & Spa and the San Manuel Indian Bingo & Casino were both referred to us by The Pechanga Band of Luiseño Indians. In addition, we expect to continue to leverage our leadership positions and our strong relationships with traditional gaming clients, such as Harrah's Entertainment, Inc., MGM MIRAGE and Gaylord Entertainment Co., to generate additional opportunities as these long-term clients expand their operations.
- Ø ***Extend Building Construction Expertise to Additional Markets.*** As we expand our market presence within particular project types or geographic areas, we seek opportunities to cross-utilize our building construction expertise. For example, many of our clients in the gaming market have initiated projects in condominium, timeshare and high-rise residential construction. As our clients further develop projects beyond the gaming market, we plan to continue servicing our clients in these new markets. Our acquisition in January 2003 of James A. Cummings, an established Florida building company, increased our footprint in the South Florida market and expanded our capabilities in the construction of schools, condominiums and public and commercial facilities. In addition, our October 2005

---

## **Table of Contents**

acquisition of Rudolph and Sletten allows us to enter additional end markets, including attractive markets such as corporate campuses and biotech, pharmaceutical and high-tech projects.

- Ø ***Pursue Expanding Federal Contracting Opportunities for Defense, Reconstruction and Security.*** Since World War II, we have worked for the United States government, including the Departments of Defense and State. We continue to pursue federal construction and support projects at various domestic and overseas locations such as military bases, military installations and United States embassies and consulates as well as new Department of Homeland Security and disaster relief projects. We also continue to pursue multi-year urgent response and task order contracts with the United States military and other government agencies.
  
- Ø ***Seek Complex Civil Construction Projects in the Northeastern and Mid-Atlantic United States.*** We intend to maintain and build upon our established position as a leading civil construction contractor in the Northeastern United States. We have established credentials and proven expertise to consistently qualify, win and complete major civil projects in the Northeastern United States. We selectively focus on large-scale, complex projects, including the repair, replacement and reconstruction of public infrastructure such as highways, bridges, wastewater treatment facilities and mass transit systems, where our competitive advantages can be leveraged. Through our January 2005 acquisition of Cherry Hill, we have extended our already strong reputation as a respected civil contractor to the Mid-Atlantic and Southeastern United States. We have experienced early and significant success with this strategy, with Cherry Hill having received approximately \$170 million of new work awards since the close of the acquisition. We plan to continue to leverage this expertise in large, complex civil projects to enhance our market share in these geographic areas.
  
- Ø ***Pursue Selected Strategic Acquisitions.*** We plan to continue to supplement our internal growth and achieve strategic benefits by pursuing selected acquisitions across all of our business segments. We actively identify and screen potential acquisition targets to enhance our geographic presence and relationships. In January 2003, we acquired James A. Cummings, an established Florida building company, which increased our footprint and brand in the South Florida market and expanded our capabilities in the construction of schools, condominiums and public and commercial facilities. In January 2005, we completed the acquisition of Cherry Hill, an established civil contractor operating in the Mid-Atlantic and Southeastern United States, specializing in excavation, foundations, paving and construction of civil infrastructure. Cherry Hill's strong regional reputation for civil projects and its complementary client base, extends our geographic presence and makes for an excellent strategic fit with our existing operations. Most recently, in October 2005, we acquired Rudolph and Sletten, a privately held construction and construction management company based in Redwood City, California that specializes in corporate campuses and healthcare, biotech, pharmaceutical and high-tech projects.

## **RECENT DEVELOPMENTS**

### **Judgment in Mergentime - Perini Joint Venture v. WMATA Matter**

On November 28, 2005, the U.S. District Court for the District of Columbia entered a \$21.8 million judgment against two of our joint ventures in the matter of the Mergentime Corporation, et al. v. Washington Metropolitan Area Transit Authority (WMATA) v. Insurance Company of North America. The joint ventures are considering an appeal of the judgment.

The case concerned two subway construction contracts awarded by WMATA in 1985 and 1986 to two joint ventures of which Mergentime Corporation was a 60% managing partner and we were a 40% partner. The construction contracts were terminated by WMATA for cause in 1990. The court awarded WMATA \$21,813,439 in damages, plus prejudgment interest. The court also awarded damages to the joint ventures of \$200,442, plus prejudgment interest. Under the terms of the joint ventures, we and

## **Table of Contents**

Mergentime are jointly and severally liable for the obligations of the joint ventures. We believe that Mergentime may be unable to fulfill its financial obligations to the joint ventures to satisfy any ultimate liability relating to this matter.

As a result of the judgment, we expect to record in the fourth quarter of 2005 a pre-tax charge of approximately \$21.6 million plus an estimated amount of prejudgment interest to be determined. Calculation of the actual amount of prejudgment interest will depend upon the interest rate to be applied as well as the time from which prejudgment interest is determined to accrue and, based on these factors, the prejudgment interest could be material to us. Post-trial pleadings by the parties to the litigation are required to be filed by December 12, 2005. In connection with any post-trial pleadings that may be made by WMATA, it is likely that WMATA would assert a position as to the methodology by which prejudgment interest should be calculated in this matter. However, we will not be aware of the substance of WMATA's post-trial pleadings, including any position that they may take on the calculation of prejudgment interest, until any such pleadings are made.

In 1987, subsequent to the contract awards, we and Mergentime entered into an agreement under which we withdrew from the joint ventures and Mergentime assumed complete control over the performance of both projects. However, we were not released from our responsibilities to WMATA as a joint venture partner. After we withdrew from the joint ventures, Mergentime and WMATA had a dispute regarding progress on the projects and in 1990 WMATA terminated both contracts. WMATA then retained us, acting independently, to complete both projects. We completed both projects successfully.

Following completion of the projects, the joint ventures brought an action in U.S. District Court for the District of Columbia against WMATA, seeking damages for delays, unpaid extra work and wrongful termination, and WMATA counterclaimed against the joint ventures seeking damages for additional costs to complete the projects. After a bench trial, the court found the joint ventures liable to WMATA for damages in the amount of approximately \$16.5 million and WMATA liable to the joint ventures for damages in the amount of approximately \$4.3 million.

The joint ventures appealed the judgment to the U.S. Court of Appeals for the District of Columbia, and in February 1999, the Court of Appeals vacated the District Court's judgment and ordered the District Court to review its prior findings and hold further hearings in regard to the joint ventures' affirmative claims. In February 2001, a successor District Court Judge granted the joint ventures' motion for a new trial. The trial was completed in January 2002 and a decision was issued on November 28, 2005.

See **Supplemental Risk Factors** We are subject to risks relating to the adverse judgment in connection with the Mergentime - Perini Joint Venture v. WMATA litigation for a discussion of some of the risks associated with this judgment and **Management's Discussion and Analysis of Financial Condition and Results of Operations** **Liquidity and Capital Resources** **Cash and Working Capital** for a discussion of the potential impact of the judgment on our liquidity.

## **Acquisition of Rudolph and Sletten**

On October 3, 2005, we completed our acquisition of Rudolph and Sletten. Based in Redwood City, California, Rudolph and Sletten is an established building contractor and construction management company with approximately \$644 million in revenues for its fiscal year ended September 30, 2005. Rudolph and Sletten specializes in corporate campuses and healthcare, biotech, pharmaceutical and high-tech projects. Rudolph and Sletten will operate as a wholly owned subsidiary of our company, and the existing Rudolph and Sletten senior management team will remain in place.

## Edgar Filing: PERINI CORP - Form 424B3

We purchased 100% of Rudolph and Sletten's capital stock for approximately \$53 million in cash, subject to a post-closing adjustment based on Rudolph and Sletten's 2005 fiscal year operating results

**S-6**

## **Table of Contents**

and financial position. The transaction was financed with cash on hand, a portion of which we subsequently refinanced with a new \$30 million secured term loan under our amended and restated credit agreement. See [Amended and Restated Credit Agreement](#) for a description of our amended and restated credit agreement.

We believe that the Rudolph and Sletten acquisition represents a strong strategic fit with our existing operations, and expands our building construction capabilities in the Western United States. In addition, the acquisition of Rudolph and Sletten is expected to provide us with additional capabilities and resources to meet the anticipated growing demand in the gaming and hospitality markets served by our building segment. The acquisition will also further diversify our end markets, particularly in attractive markets such as corporate campuses and biotech, pharmaceutical and high-tech projects.

See [Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Developments](#) in this prospectus supplement for more information regarding our acquisition of Rudolph and Sletten.

## **Amended and Restated Credit Agreement**

On October 14, 2005, we entered into an Amended and Restated Credit Agreement with Bank of America, N.A. and TD Banknorth. The amended and restated credit agreement replaces in its entirety our prior credit agreement.

The amended and restated credit agreement provides for a secured revolving credit facility of up to \$50 million, unchanged from our previously existing credit agreement. The amended and restated credit agreement also provides for an increase in the aggregate amount of letters of credit that may be issued under the agreement from \$7.5 million to \$15 million. Outstanding letters of credit reduce availability under the revolving credit facility on a dollar-for-dollar basis. The termination date of the revolving credit facility was extended from June 30, 2007 to June 30, 2008.

The amended and restated credit agreement also provides for a new \$30 million secured term loan, which we used to refinance a portion of the purchase price for the Rudolph and Sletten acquisition. The new term loan amortizes in equal quarterly principal payments of \$1.5 million through October 2010.

See [Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Cash and Working Capital](#) in this prospectus supplement for more information regarding the terms of our amended and restated credit agreement.

## **Preferred Shareholder Litigation**

On September 28, 2005, we announced that the United States District Court for the District of Massachusetts approved the previously announced settlement of the class action lawsuit filed by holders of our \$2.125 Depositary Convertible Exchangeable Preferred Shares (Depositary Shares). The settlement and the number of Depositary Shares participating in the settlement became final on October 24, 2005. Under the terms of the settlement, effective November 2, 2005, we purchased all of the 374,185 participating Depositary Shares that were submitted for a price per

## Edgar Filing: PERINI CORP - Form 424B3

Depository Share of \$19.00 in cash and one share of our common stock, for an aggregate of \$7.1 million in cash and 374,185 shares of common stock. After consummation of the settlement, 185,088 Depository Shares remain outstanding.

As a result of the settlement, approximately \$2.3 million of previously accrued and unpaid dividends relating to the 374,185 Depository Shares that we purchased will be reversed. We estimate that this

S-7

## Table of Contents

reversal will result in a favorable impact on our fourth quarter and full fiscal year 2005 diluted earnings per share of approximately \$0.09. Additionally, pursuant to the terms of the settlement, Frederick Doppelt, one of the two directors that had been elected by the holders of Depository Shares, resigned from our Board of Directors effective as of November 11, 2005.

## OUR CORPORATE INFORMATION

We are a Massachusetts corporation. Our principal office is located at 73 Mt. Wayte Avenue, Framingham, Massachusetts 01701 and our telephone number is (508) 628-2000. We maintain our corporate website at <http://www.perini.com>. **Our website and the information contained on that website, or connected to that site, are not incorporated into this prospectus supplement or the accompanying prospectus, and you should not rely on any such information in making your decision whether to purchase our common stock.**

## SUPPLEMENTAL RISK FACTORS

You should consider carefully the following risks, together with all other information contained in this prospectus supplement and the accompanying prospectus, before purchasing our common stock.

### **We are subject to risks relating to the adverse judgment in connection with the Mergentime - Perini Joint Venture v. WMATA litigation.**

On November 28, 2005 the U.S. District Court for the District of Columbia entered a \$21.8 million judgment against two of our joint ventures in the matter of the Mergentime Corporation, et al. v. Washington Metropolitan Area Transit Authority (WMATA) v. Insurance Company of North America. The case concerned two subway construction contracts awarded by WMATA in 1985 and 1986 to two joint ventures of which Mergentime Corporation was a 60% managing partner and we were a 40% partner. The construction contracts were terminated by WMATA for cause in 1990. The court awarded WMATA \$21,813,439 in damages, plus prejudgment interest. The court also awarded damages to the joint ventures of \$200,442, plus prejudgment interest. Under the terms of the joint ventures, we and Mergentime are jointly and severally liable for the obligations of the joint ventures. We believe that Mergentime may be unable to fulfill its financial obligations to the joint ventures to satisfy any ultimate liability relating to this matter. See Prospectus Supplement Summary Recent Developments Judgment in Mergentime - Perini Joint Venture v. WMATA Matter for more information regarding this litigation and the recent judgment.

As a result of the judgment, we expect to record in the fourth quarter of 2005 a pre-tax charge of approximately \$21.6 million plus an estimated amount of prejudgment interest to be determined. Calculation of the actual amount of prejudgment interest will depend upon the interest rate to be applied as well as the time from which prejudgment interest is determined to accrue and, based on these factors, the prejudgment interest could be material to us. However, due to the uncertainty relating to the variables involved in calculating an actual amount of prejudgment interest, we do not know at this time what the actual total amount of the pre-tax charge resulting from the judgment will be and, accordingly, investors will be required to determine whether to participate in this offering without the benefit of this information. Post-trial pleadings by the parties to the litigation are required to be filed by December 12, 2005. In connection with any post-trial pleadings that may be made by WMATA, it is likely that WMATA would assert a position as to the methodology by which prejudgment interest should be calculated in this matter. However, we will not be aware of the substance of WMATA's post-trial pleadings, including any position that they may take on the calculation of prejudgment interest, until any such pleadings are made.





---

**Table of Contents**

Our cash and cash equivalents balance as of September 30, 2005 was \$100.1 million, although \$44.3 million of that balance represents our share of joint venture cash which would not be available for payment of the WMATA judgment. Further, our amended and restated credit agreement provides for a \$50 million revolving credit facility, of which \$42.5 million was available as of November 30, 2005. If we were to be required to pay the WMATA judgment and the related prejudgment interest, we would need to utilize a significant amount of our revolving credit facility, if available, and/or our available cash and cash equivalents, which would have an adverse effect on our liquidity position.

In addition, we expect that as a result of this fourth quarter charge we may fail to comply with one or more of the financial covenants in our amended and restated credit agreement. However, we will not be able to make this determination until after the completion of the fourth quarter of 2005 and determination of the actual amount of the charge, including prejudgment interest, to be taken in connection with the litigation judgment.

In the event we do fail to comply with one or more financial covenants in our amended and restated credit agreement, we intend to seek a waiver of such failures from our lenders under the credit agreement. We cannot assure you that our lenders would agree to provide such a waiver and, if such a waiver were not provided, our lenders would not be required to lend any additional amounts to us and could elect to declare all of our outstanding obligations under the amended and restated credit agreement, together with accrued and unpaid interest and fees, to be immediately due and payable and require us to cash collateralize our letters of credit. If this were to occur, we would be required to apply a significant portion of our available cash to satisfy these obligations. As of November 30, 2005, we had outstanding under our amended and restated credit agreement a \$30.0 million term loan, as well as \$7.5 million of outstanding letters of credit. Our cash and cash equivalents balance as of September 30, 2005 was \$100.1 million, although \$44.3 million of that balance represents our share of joint venture cash which would not be available for debt repayment. As a result, if we were to be required to repay all outstanding amounts under our amended and restated credit agreement and cash collateralize our letters of credit, we would be required to utilize a significant amount of our available cash and cash equivalents, which would have an adverse effect on our liquidity position.

**We are not providing historical financial statements for Rudolph and Sletten or pro forma financial statements reflecting the impact of the Rudolph and Sletten acquisition on our historical operating results.**

On October 3, 2005, we completed our acquisition of Rudolph and Sletten, an established building contractor and construction management company with approximately \$644 million in revenues for its fiscal year ended September 30, 2005. The purchase price for the Rudolph and Sletten acquisition was approximately \$53 million in cash, subject to a post-closing adjustment based on Rudolph and Sletten's 2005 fiscal year operating results and financial position. We financed the purchase price for the acquisition with cash on hand, a portion of which we subsequently refinanced with a new \$30 million secured term loan under our amended and restated credit agreement.

On or before December 19, 2005, we are required to file a current report on Form 8-K that contains audited consolidated financial statements of Rudolph and Sletten for its fiscal year ended September 30, 2005, and, based on that audit, pro forma financial information for our fiscal year ended December 31, 2004 and for the nine months ended September 30, 2005, reflecting the estimated pro forma impact of the Rudolph and Sletten acquisition, including, among other things, the \$30 million secured term loan that refinanced a portion of the acquisition purchase price, on our historical financial statements for these periods. However, as we do not expect to finalize the current report on Form 8-K with the required historical and pro forma financial information until shortly before the required filing date of December 19, 2005, we are not in a position at this time to include this information in this prospectus.

## **Table of Contents**

supplement. As a result, investors will be required to determine whether to participate in this offering without the benefit of this historical and pro forma financial information.

While we believe that the acquisition will make a positive contribution to our operating results for the fourth quarter of 2005, it is possible that the adjustments that we will make in preparing the pro forma financial information will be viewed as adversely impacting our historical financial statements. Further, it is possible that the audit of Rudolph and Sletten's financial statements and our experience in operating Rudolph and Sletten will require us to adjust our expectations regarding the impact of Rudolph and Sletten on our operating results going forward. Additionally, we may fail to successfully integrate Rudolph and Sletten or fail to achieve the synergies and cost savings we expect. While the purchase agreement for the acquisition contains customary representations and warranties, including with respect to Rudolph and Sletten's financial condition, gross margins, backlog and other matters, and while we have placed a portion of the purchase price for the acquisition in escrow to satisfy indemnity claims regarding breaches of representations and warranties, there can be no assurance that any required adjustments will be covered by the indemnities in the agreement or, if covered, will be sufficient to compensate us fully.

### **We may not fully realize the revenue value reported in our backlog.**

As of September 30, 2005, our backlog of uncompleted construction work was approximately \$3.33 billion, up 189% from backlog of \$1.15 billion as of December 31, 2004. This backlog estimate does not include the \$463 million in backlog associated with our recent contract for the expansion of the Foxwoods Resort Casino or the estimated \$945 million in backlog of Rudolph and Sletten, our most recent acquisition. While we believe that our backlog provides us with visibility into our future performance, it is possible that we may not fully realize the revenue value underlying our estimated backlog. We include a construction project in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. The revenue projected in our backlog may not be realized, or, if realized, may not result in profits. For example, if a project reflected in our backlog is terminated, suspended or reduced in scope, it would result in a reduction to our backlog which would reduce, potentially to a material extent, the revenue and profit we actually receive from contracts in backlog. If a client cancels a project, we may be reimbursed for certain costs but typically have no contractual right to the revenues reflected in our backlog. Significant cancellations or delays of projects in our backlog could have a material adverse effect on our revenues, cash flows and profits.

In addition, our backlog of approximately \$3.33 billion as of September 30, 2005 does not include the estimated \$3.0 billion value attributable to our recent selection as contractor by MGM MIRAGE to build a major portion of Project CityCenter in Las Vegas, Nevada. While we have been selected as general contractor for this project, this award is subject to finalization of contract terms and execution of definitive agreements. In the event we are unable to agree on final contract terms or execute definitive agreements, the value of this contract will not become part of our backlog and we will not realize revenue with respect to this contract.

### **We will require substantial personnel resources to execute and perform on our contracts in backlog.**

Our ability to execute and perform on our contracts in backlog depends in large part upon our ability to hire and retain highly skilled personnel, such as engineering, project management and senior management professionals. In addition, our construction projects require a significant amount of trade labor resources, such as carpenters, masons and other skilled workers. Given the recent increase in our contract backlog, we will require even more qualified personnel to perform construction projects on time and within budget. Recent growth in the construction industry, particularly in areas with significant

## Table of Contents

building activity such as Las Vegas, Nevada, has led to a corresponding increase in the demand for personnel resources and, in some cases, has resulted in labor shortages for certain types of personnel. In the event we are unable to attract, hire and retain the requisite personnel necessary to execute and perform on our contract backlog, we may experience delays in completing projects in accordance with project schedules, which may have an adverse effect on our financial results and harm our reputation. Further, the increased demand for personnel may result in higher labor costs which could cause us to exceed the budget on a project, which in turn may have an adverse effect on our results of operations and harm our relationships with our customers. In addition, if we lack the personnel necessary to perform on our contract backlog, we may find it necessary to curtail our bidding on new projects.

In addition to the risks discussed above, you should carefully consider the matters discussed in **Risk Factors** beginning on page 5 of the accompanying prospectus prior to deciding whether to invest in shares of our common stock. Some of the risks include:

- ∅ we are subject to significant legal proceedings, which, if determined adversely to us, could harm our reputation, preclude us from bidding on future projects and/or have a material adverse effect on us;
- ∅ our contracts require us to perform extra or change order work, which can result in disputes and adversely affect our working capital, profits and cash flows;
- ∅ economic, political and other risks associated with our international operations involve risks not faced by our domestic competitors, which could adversely affect our revenue and earnings;
- ∅ a decrease in U.S. government funding or change in government plans, particularly with respect to rebuilding Iraq and Afghanistan, as well as the risks associated with undertaking projects in these countries, could adversely affect the continuation of existing projects or the number of projects available to us in the future;
- ∅ increased regulation of the hospitality and gaming industry could reduce the number of future hospitality and gaming projects available, which, in turn, could adversely impact our future earnings;
- ∅ if we are unable to accurately estimate the overall risks, revenues or costs on a contract, we may achieve a lower than anticipated profit or incur a loss on the contract;
- ∅ the percentage-of-completion method of accounting for contract revenue may result in material adjustments, which could result in a charge against our earnings;
- ∅ procurement of new project awards is very competitive and our failure to compete effectively could reduce our market share and profits;
- ∅ conflicts may arise with respect to Ronald N. Tutor, our Chairman and Chief Executive Officer;
- ∅ if we are unable to attract and retain key personnel, our reputation may be harmed and our future earnings may be negatively impacted; and
- ∅ our acquisition strategy involves a number of risks, which could adversely impact our future revenues and the revenues of the businesses that we acquire.



**Table of Contents**

**The offering**

Common stock offered by the selling stockholders(1)	5,042,382 shares
Common stock outstanding before and after this offering	26,028,500 shares
Dividend policy	We have not paid any cash dividends on our common stock since 1990 and currently do not expect to pay dividends or make any other distributions on our common stock in the immediate future.
Use of proceeds	We will not receive any proceeds from the sale of common stock by the selling stockholders.
New York Stock Exchange symbol	PCR

(1) Assumes no exercise by the underwriters of their option to purchase 756,357 additional shares from the selling stockholders to cover over-allotments.

All of the shares offered by this prospectus are being offered by the selling stockholders.

The number of shares of common stock outstanding before and after this offering is based on the number of shares outstanding as of December 2, 2005 and excludes:

- Ø 479,000 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price per share of \$4.52;
- Ø 195,634 shares of common stock reserved for future awards under our Special Equity Incentive Plan;
- Ø 150,000 shares of common stock reserved for outstanding restricted stock awards at a weighted average fair value per share of \$15.62, and 700,000 shares of common stock reserved for issuance under our 2004 Stock Option and Incentive Plan;
- Ø 122,575 shares of common stock reserved for issuance upon conversion of our \$21.25 Preferred Stock at a conversion price of \$377.50 per share (or \$37.75 per Depositary Share); and
- Ø 86,688 shares of common stock reserved for issuance upon exercise of outstanding warrants at an exercise price per share of \$8.30, subject to anti-dilution adjustment in the event of certain transactions and other corporate events.

Table of Contents

## Summary consolidated financial data

The following summary consolidated financial data should be read in conjunction with the information provided under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated condensed financial statements and related notes in this prospectus supplement and the captions "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included in the accompanying prospectus. The summary consolidated financial data for the years ended December 31, 2004, 2003 and 2002, and as of December 31, 2004 and 2003, is derived from our audited consolidated financial statements included in the accompanying prospectus. The summary consolidated financial data for the years ended December 31, 2001 and 2000, and as of December 31, 2002, 2001 and 2000, is derived from our audited consolidated financial statements not included in this prospectus supplement or the accompanying prospectus. The summary consolidated financial data as of and for the nine month periods ended September 30, 2005 and September 30, 2004, is derived from our unaudited consolidated condensed financial statements included in this prospectus supplement. Our unaudited consolidated condensed financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations and financial condition for those periods. Our historical results are not necessarily indicative of our future results of operations or financial performance, and the summary consolidated financial data as of and for the nine month period ended September 30, 2005, is not necessarily indicative of results to be expected for the year ending December 31, 2005. Backlog and new business awarded are not measures defined in accounting principles generally accepted in the United States of America, or GAAP, and have not been derived from our consolidated financial statements. The following summary consolidated financial data does not include any financial data with respect to Rudolph and Sletten.

	Nine Months Ended September 30,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(in thousands, except per share data)						
<b>Operating Summary:</b>							
Revenues	\$ 1,130,251	\$ 1,443,855	\$ 1,842,315	\$ 1,374,103	\$ 1,085,041	\$ 1,553,396	\$ 1,105,660
Cost of Operations	1,058,040	1,372,963	1,748,933	1,303,851	1,026,391	1,495,834	1,053,328
Gross Profit	72,211	70,892	93,382	70,252	58,650	57,562	52,332
G&A Expense	40,982	31,720	43,049	39,762	32,770	28,061	24,977
Income from Construction Operations	31,229	39,172	50,333	30,490	25,880	29,501	27,355
Other (Income) Expense, Net	638	3,939	4,703	(1,435)	520	227	(949)
Interest Expense	1,091	506	704	1,003	1,485	2,006	3,966
Income Before Income Taxes	29,500	34,727	44,926	30,922	23,875	27,268	24,338
(Provision) Credit For Income Taxes	(11,538)	(4,900)	(8,919)	13,096	(801)	(850)	43
<b>Net Income</b>	<b>\$ 17,962</b>	<b>\$ 29,827</b>	<b>\$ 36,007</b>	<b>\$ 44,018</b>	<b>\$ 23,074</b>	<b>\$ 26,418</b>	<b>\$ 24,381</b>
Income Available For Common Stockholders(1)	\$ 17,071	\$ 28,936	\$ 34,819	\$ 49,619	\$ 20,949	\$ 24,293	\$ 7,299
Per Share of Common Stock:							
Basic Earnings	\$ 0.67	\$ 1.24	\$ 1.47	\$ 2.18	\$ 0.92	\$ 1.07	\$ 0.39
Diluted Earnings	\$ 0.66	\$ 1.16	\$ 1.39	\$ 2.10	\$ 0.91	\$ 1.04	\$ 0.39
<b>Weighted Average Common Shares Outstanding:</b>							
Basic	25,392	23,376	23,724	22,763	22,664	22,623	18,521
Diluted	26,015	24,926	25,061	23,583	22,939	23,442	18,527



**Table of Contents**

	Nine Months Ended September 30,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(in thousands)						
<b>Balance Sheet Data (End of Period):</b>							
Total Assets	\$ 618,013	\$ 654,217	\$ 654,265	\$ 565,443	\$ 402,389	\$ 501,241	\$ 487,478
Working Capital	183,021	166,903	178,029	125,397	115,908	93,369	80,477
Long-term Debt, less current maturities	17,429	8,819	8,608	8,522	12,123	7,540	17,218
Stockholders' Equity	195,936	162,459	174,034	120,560	86,649	79,408	60,622
<b>Cash Flow Data:</b>							
Cash Flows from Operating Activities	\$ (10,017)	\$ 28,801	\$ 59,766	\$ 42,576	\$ (3,632)	\$ (24,245)	\$ 802
Cash Flows from Investing Activities	(21,675)	(2,040)	(1,928)	(7,880)	(629)	(5,512)	114
Cash Flows from Financing Activities	(4,514)	7,528	10,644	(13,904)	(5,250)	(9,469)	(8,334)
<b>Other Data:</b>							
Depreciation and Amortization	\$ 4,182	\$ 3,981	\$ 5,128	\$ 3,389	\$ 3,202	\$ 2,602	\$ 2,191
Capital Expenditures	8,230	3,941	4,486	5,399	4,510	4,528	1,793
Backlog (End of Period)(2)	3,326,127	1,241,749	1,151,475	1,666,464	990,175	1,213,535	1,788,731
New Business Awarded(3)	3,304,903	1,019,140	1,327,326	2,050,392	861,681	978,200	1,236,314

- (1) Income available for common stockholders includes adjustments to net income for (a) accrued and unpaid dividends on our \$21.25 Preferred Stock, or \$2.125 Depository Shares, (b) the reversal of previously accrued and unpaid dividends in the amount of approximately \$7.3 million applicable to 440,627 of the \$2.125 Depository Shares purchased and retired by us on June 9, 2003, (c) dividends declared and paid on our Series B Preferred Stock until its exchange for shares of common stock on March 29, 2000 and (d) the \$13.7 million assigned to the induced conversion of the Series B Preferred Stock into common stock on March 29, 2000.
- (2) A construction project is included in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. Backlog is not a measure defined in GAAP and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.
- (3) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (2) above plus or minus subsequent changes to the estimated total contract price of existing contracts. New business awarded is not a measure defined in GAAP and may not be comparable to that of other companies. Management uses new business awarded to assist in forecasting future results.



---

**Table of Contents**

---

## Cautionary note regarding forward-looking statements

The statements contained in this prospectus supplement, including under the captions Prospectus Supplement Summary Our Strengths , Prospectus Supplement Summary Our Strategy and Management s Discussion and Analysis of Financial Condition and Results of Operations , and in the accompanying prospectus, including under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations , that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, including without limitation, statements regarding our expectations, hopes, beliefs, intentions or strategies. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the headings Prospectus Supplement Summary Supplemental Risk Factors in this prospectus supplement and Risk Factors in the accompanying prospectus. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as may be required under applicable securities laws.

## Use of proceeds

The proceeds from the sale of shares of common stock offered pursuant to this prospectus supplement are solely for the account of the selling stockholders. We will not receive any proceeds from the sale of shares by the selling stockholders.

Table of Contents

## Capitalization

The table below sets forth our consolidated short-term debt and capitalization as of September 30, 2005. We have not provided an adjusted capitalization table in this prospectus supplement because we will not receive any proceeds from the sale of shares by the selling stockholders. You should read the following information in conjunction with our consolidated financial statements and related notes and the information provided under the captions "Summary Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus supplement and "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the accompanying prospectus.

	<b>As of September 30, 2005 (in thousands, except share data)</b>
<b>Short-term debt:</b>	
Notes payable to banks	\$
Current maturities of long-term debt	10,641
	<hr/>
<b>Total short-term debt</b>	<b>\$ 10,641</b>
	<hr/>
<b>Long-term debt, less current maturities:</b>	
Mortgages on real estate	\$ 8,784
Revolving credit loans(1)	
Other indebtedness	8,645
	<hr/>
<b>Total long-term debt(1)</b>	<b>17,429</b>
	<hr/>
<b>Stockholders' equity:</b>	
Preferred stock, \$1.00 par value	
Authorized 1,000,000 shares	
\$21.25 Convertible Exchangeable Preferred Stock, \$1.00 par value	
Designated 100,000 shares	
Issued 55,927 shares, aggregate liquidation preference of \$13,982(2)	56
Series A junior participating preferred stock, \$1.00 par value	
Designated 200,000 shares	
Issued none	
Stock purchase warrants	461
Common stock, \$1.00 par value	
Authorized 40,000,000 shares	
Issued 25,629,315 shares(2)(3)	25,629
Additional paid-in capital	114,997
Retained earnings	81,897
Accumulated other comprehensive loss	(27,104)
	<hr/>
<b>Total stockholders' equity</b>	<b>195,936</b>
	<hr/>
<b>Total capitalization</b>	<b>\$ 213,365</b>
	<hr/>

Edgar Filing: PERINI CORP - Form 424B3

- (1) On October 14, 2005, we entered into an amended and restated credit agreement, which provides for a \$50 million revolving credit facility and a new \$30 million secured term loan, the proceeds of which were used to refinance a portion of the purchase price for our recent Rudolph and Sletten

*(footnotes continued on following page)*

**S-16**

---

---

**Table of Contents**

**Capitalization**

---

- acquisition. The revolving credit facility has a maturity date of June 30, 2008. The new term loan amortizes in equal quarterly principal payments of \$1.5 million, with a maturity date of October 14, 2010.
- (2) On November 2, 2005, we effected the settlement of the class action lawsuit that had been filed by holders of our \$2.125 Depositary Convertible Exchangeable Preferred Shares (Depositary Shares), each of which represents 1/10 of a share of our \$21.25 Convertible Exchangeable Preferred Stock. Pursuant to the terms of the settlement, we purchased 374,185 Depositary Shares for a price per Depositary Share equal to \$19.00 in cash and one share of our common stock. After consummation of the settlement, 185,088 Depositary Shares remain outstanding.
- (3) As of September 30, 2005, there were outstanding 25,629,315 shares of common stock. As of September 30, 2005, options to purchase 504,000 shares of our common stock were outstanding; 195,634 shares were available for future awards under our Special Equity Incentive Plan; and 150,000 shares of common stock were reserved for outstanding restricted stock awards and 700,000 shares were available for future awards under our 2004 Stock Option and Incentive Plan. As of September 30, 2005, we had 370,379 shares of common stock reserved for issuance upon conversion of our \$21.25 Preferred Stock at a conversion price of \$377.50 per share (or \$37.75 per Depositary Share) and 86,688 shares of common stock reserved for issuance upon exercise of stock purchase warrants at an exercise price of \$8.30 per share, subject to customary anti-dilution adjustments.

S-17

---

**Table of Contents****Market price of our common stock and dividend policy**

Our common stock trades on the New York Stock Exchange under the symbol PCR . The quarterly market high and low sales prices for our common stock for 2005 (through December 2, 2005), 2004 and 2003 are summarized below:

	<b>High</b>	<b>Low</b>
Year ended December 31, 2003		
First Quarter	\$ 4.70	\$ 3.62
Second Quarter	9.05	3.80
Third Quarter	8.99	6.26
Fourth Quarter	10.10	6.95
Year ended December 31, 2004		
First Quarter	19.99	8.80
Second Quarter	17.30	9.18
Third Quarter	15.99	10.10
Fourth Quarter	17.04	13.28
Year ending December 31, 2005		
First Quarter	17.92	13.40
Second Quarter	16.56	12.01
Third Quarter	19.49	15.02
Fourth Quarter (through December 2, 2005)	27.30	17.42

On December 2, 2005, the closing sale price of our common stock as reported on the New York Stock Exchange was \$26.30 per share. At December 1, 2005, there were 949 holders of record of our common stock, based on the stockholders list maintained by our transfer agent.

We have not paid any cash dividends on our common stock since 1990. For the foreseeable future, we intend to retain any earnings in our business, and we do not anticipate paying any cash dividends. In addition, under the terms of our preferred stock, we cannot pay dividends on our common stock until all accrued dividends on our preferred stock have been paid. Whether or not to declare any dividends will be at the discretion of our Board of Directors, considering then existing conditions, including our financial condition and results of operations, capital requirements, bonding prospects, contractual restrictions, business prospects and other factors that our Board of Directors considers relevant.

---

**Table of Contents**

---

# Management's discussion and analysis of financial condition and results of operations

## OVERVIEW

We are a leading construction and management services company, based on revenues, as ranked by *Engineering News-Record*, offering diversified general contracting, construction management and design-build services to private clients and government agencies throughout the world. We have provided construction services since 1894 and have established a strong reputation within our markets for executing large, complex projects on time and within budget while adhering to strict quality control measures. We offer general contracting, pre-construction planning and comprehensive project management services, including the planning and scheduling of the manpower, equipment, materials and subcontractors required for a project. We also offer self-performed construction services, including site work, concrete forming and placement and steel erection.

Our business is conducted through three primary segments: building, civil and management services. Our building segment focuses on large, complex projects in the hospitality and gaming, sports and entertainment, education, transportation, healthcare, biotech, pharmaceutical and high-tech markets. Our civil segment is involved in public works construction primarily in the Northeast and Mid-Atlantic regions of the United States, including the repair, replacement and reconstruction of public infrastructure such as highways, bridges, wastewater treatment facilities and mass transit systems. Our management services segment provides diversified construction, design-build and maintenance services to the United States military and other government agencies as well as multi-national corporations and surety companies.

## SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to our audited consolidated financial statements included in the accompanying prospectus. We have made no significant change in these policies during 2005.

In conjunction with the finalization of the purchase price allocation for the acquisition of Cherry Hill, we adjusted the estimated useful lives and estimated salvage values of the Cherry Hill fixed assets. Additionally, effective May 1, 2005, we prospectively changed our method of calculating depreciation for construction and computer-related equipment from accelerated methods to the straight-line method. As a result of these changes, the Cherry Hill fixed assets and fixed assets acquired by us on or after May 1, 2005 will have depreciation provided based on estimated useful lives ranging from five to 20 years and estimated salvage values ranging from 10 to 40 percent of the acquisition cost. Cherry Hill's previous policy, which we continued to apply up until the finalization of the purchase price allocation, was to provide depreciation on a straight-line basis over lives ranging from five to 39 years with no provision for estimated salvage values. Our previous policy, which will continue to apply to fixed assets acquired prior to May 1, 2005 (except for the Cherry Hill fixed assets), was to provide depreciation on construction and computer-related equipment primarily using accelerated methods over lives ranging from three to seven years and the straight-line method for remaining depreciable property over lives ranging from three to 30 years with no provision for estimated salvage values. These changes were adopted to recognize a more realistic periodic charge to income based on our historical experience as well as to enhance financial statement comparability with most other public construction companies.

## Edgar Filing: PERINI CORP - Form 424B3

The effect of the change in depreciation policy in 2005 was to increase net income for the nine months ended September 30, 2005 by approximately \$0.4 million (all of which relates to the Cherry Hill fixed assets acquired effective January 1, 2005) and to increase both basic and diluted earnings per common

---

S-19

---

**Table of Contents**

**Management's discussion and analysis of financial condition and results of operations**

---

share by \$0.02. Since the new depreciation policy was applied on a prospective basis and fixed assets acquired prior to May 1, 2005 have continued to be depreciated under the policy previously in effect, the cumulative effect of a change in accounting principle or pro forma effects of retroactive application disclosure is not required in accordance with the provisions of Accounting Principles Board Opinion No. 20, Accounting Changes .

**RECENT DEVELOPMENTS**

**Judgment in Mergentime Perini Joint Venture v. WMATA Matter**

On November 28, 2005, the U.S. District Court for the District of Columbia entered a \$21.8 million judgment against two of our joint ventures in the matter of the Mergentime Corporation, et al. v. Washington Metropolitan Area Transit Authority (WMATA) v. Insurance Company of North America. The joint ventures are considering an appeal of the judgment.

The case concerned two subway construction contracts awarded by WMATA in 1985 and 1986 to two joint ventures of which Mergentime Corporation was a 60% managing partner and we were a 40% partner. The construction contracts were terminated by WMATA for cause in 1990. The court awarded WMATA \$21,813,439 in damages, plus prejudgment interest. The court also awarded damages to the joint ventures of \$200,442, plus prejudgment interest. Under the terms of the joint ventures, we and Mergentime are jointly and severally liable for the obligations of the joint ventures. We believe that Mergentime may be unable to fulfill its financial obligations to the joint ventures to satisfy any ultimate liability relating to this matter.

As a result of the judgment, we expect to record in the fourth quarter of 2005 a pre-tax charge of approximately \$21.6 million plus an estimated amount of prejudgment interest to be determined. Calculation of the actual amount of prejudgment interest will depend upon the interest rate to be applied as well as the time from which prejudgment interest is determined to accrue and, based on these factors, the prejudgment interest could be material to us. Post-trial pleadings by the parties to the litigation are required to be filed by December 12, 2005. In connection with any post-trial pleadings that may be made by WMATA, it is likely that WMATA would assert a position as to the methodology by which prejudgment interest should be calculated in this matter. However, we will not be aware of the substance of WMATA's post-trial pleadings, including any position that they may take on the calculation of prejudgment interest, until any such pleadings are made.

In 1987, subsequent to the contract awards, we and Mergentime entered into an agreement under which we withdrew from the joint ventures and Mergentime assumed complete control over the performance of both projects. However, we were not released from our responsibilities to WMATA as a joint venture partner. After we withdrew from the joint ventures, Mergentime and WMATA had a dispute regarding progress on the projects and in 1990 WMATA terminated both contracts. WMATA then retained us, acting independently, to complete both projects. We completed both projects successfully.

Following completion of the projects, the joint ventures brought an action in U.S. District Court for the District of Columbia against WMATA, seeking damages for delays, unpaid extra work and wrongful termination, and WMATA counterclaimed against the joint ventures seeking damages for additional costs to complete the projects. After a bench trial, the court found the joint ventures liable to WMATA for damages in the amount of approximately \$16.5 million and WMATA liable to the joint ventures for damages in the amount of approximately \$4.3 million.



The joint ventures appealed the judgment to the U.S. Court of Appeals for the District of Columbia, and in February 1999, the Court of Appeals vacated the District Court's judgment and ordered the District

S-20

---

---

**Table of Contents**

**Management's discussion and analysis of financial condition and results of operations**

---

Court to review its prior findings and hold further hearings in regard to the joint ventures' affirmative claims. In February 2001, a successor District Court Judge granted the joint ventures' motion for a new trial. The trial was completed in January 2002 and a decision was issued on November 28, 2005.

See Supplemental Risk Factors We are subject to risks relating to the adverse judgment in connection with the Mergentime Perini Joint Venture v. WMATA litigation for a discussion of some of the risks associated with this judgment and Liquidity and Capital Resources Cash and Working Capital for a discussion of the potential impact of the judgment on our liquidity.

**Acquisition of Rudolph and Sletten, Inc.**

On October 3, 2005, we completed our acquisition of Rudolph and Sletten, Inc. Based in Redwood City, California, and covering the major California construction markets of Los Angeles, Silicon Valley, San Francisco and Sacramento, Rudolph and Sletten is an established building contractor and construction management company with approximately \$644 million in annual revenues for its fiscal year ended September 30, 2005 and an estimated backlog of \$945 million at September 30, 2005. Rudolph and Sletten specializes in corporate campuses and healthcare, biotech, pharmaceutical and high-tech projects. Rudolph and Sletten will operate as a wholly-owned subsidiary of our company, and the existing Rudolph and Sletten senior management team will remain in place.

We purchased 100% of Rudolph and Sletten's capital stock for approximately \$53 million in cash, subject to a post-closing adjustment based on Rudolph and Sletten's 2005 fiscal year operating results and financial position. The transaction was financed with cash on hand, a portion of which was subsequently refinanced with a new \$30 million secured term loan under our amended and restated credit agreement. See Amended and Restated Credit Agreement below for a description of our amended and restated credit agreement.

We believe that the Rudolph and Sletten acquisition represents a strong strategic fit with our existing operations, and expands our building construction capabilities in the Western United States. In addition, the acquisition of Rudolph and Sletten is expected to provide us with additional capabilities and resources to meet the anticipated growing demand in the gaming and hospitality markets served by our building segment. The acquisition will also further diversify our end markets, particularly in attractive markets such as corporate campuses and healthcare, biotech, pharmaceutical and high-tech projects.

**Amended and Restated Credit Agreement**

On October 14, 2005, we entered into an Amended and Restated Credit Agreement with Bank of America, N.A. and TD Banknorth. The amended and restated credit agreement amends and restates in its entirety our previously existing credit agreement dated as of January 23, 2002, as amended through March 31, 2005.

## Edgar Filing: PERINI CORP - Form 424B3

The amended and restated credit agreement provides for a secured revolving credit facility of up to \$50 million, unchanged from our previously existing credit agreement. The amended and restated credit agreement also provides for an increase in the aggregate amount of letters of credit that may be issued under the agreement from \$7.5 million to \$15 million. Outstanding letters of credit reduce availability under the revolving credit facility on a dollar-for-dollar basis. The termination date of the revolving credit facility was extended from June 30, 2007 to June 30, 2008.

In addition, the amended and restated credit agreement provides for a new \$30 million secured term loan, which was used to refinance a portion of the purchase price for the Rudolph and Sletten acquisition. The new term loan amortizes in equal quarterly principal payments of \$1.5 million

---

S-21

---

**Table of Contents**

**Management's discussion and analysis of financial condition and results of operations**

---

commencing December 31, 2005 and continuing through October 14, 2010. For a more detailed description of our amended and restated credit agreement, see Liquidity and Capital Resources Cash and Working Capital below.

**Settlement of Preferred Stock Class Action Lawsuit**

On September 28, 2005, we announced that the United States District Court for the District of Massachusetts approved the previously announced settlement of the class action lawsuit filed by holders of our \$2.125 Depositary Convertible Exchangeable Preferred Shares (Depositary Shares). The settlement and the number of Depositary Shares participating in the settlement became final on October 24, 2005. Under the terms of the settlement, effective November 2, 2005, we purchased all of the 374,185 participating Depositary Shares that were submitted for a price per Depositary Share of \$19.00 in cash and one share of our common stock, for an aggregate of \$7.1 million in cash and 374,185 shares of common stock.

As a result of the settlement, approximately \$2.3 million of previously accrued and unpaid dividends relating to the 374,185 Depositary Shares that we purchased will be reversed. We estimate that this reversal will result in a favorable impact on our fourth quarter and full year 2005 diluted earnings per share of approximately \$0.09 per share. Additionally, pursuant to the terms of the settlement, Frederick Doppelt, one of the two directors that had been elected by the holders of Depositary Shares, resigned from our Board of Directors effective as of November 11, 2005.

**Significant New Work Awards**

In October 2005, we announced the receipt of several significant new contracts by our building segment in the hospitality and gaming market. Both the Trump International Hotel and Tower Las Vegas and The Cosmopolitan Resort and Casino in Las Vegas, with a combined estimated construction contract value in excess of \$1.4 billion, were included in our approximately \$3.33 billion backlog at September 30, 2005. In addition, we announced the receipt of a \$462.8 million contract for construction of the 2 million-square-foot expansion of the Foxwoods Resort Casino in southeastern Connecticut which is not included in our \$3.33 billion backlog at September 30, 2005. All three projects are currently scheduled for completion in early to mid-2008.

In May 2005, we announced that we have been selected as the general contractor for a multi-billion construction contract from MGM MIRAGE to build a major portion of Project CityCenter in Las Vegas, Nevada. The estimated value of this construction contract is in excess of \$3.0 billion, and has not been included in our approximately \$3.33 billion backlog at September 30, 2005 pending agreement on final contract terms. MGM MIRAGE has stated it plans to complete the entire project by the end of 2009.

**Backlog Analysis for 2005**

The following table provides an analysis of our backlog by business segment for the nine month period ended September 30, 2005:

	<b>Backlog at December 31, 2004</b>	<b>New Business Awarded</b>	<b>Revenue Recognized (in millions)</b>	<b>Backlog at Sept. 30, 2005</b>
Building	\$ 570.1	\$ 2,645.7	\$ 719.4	\$ 2,496.4
Civil	230.7	472.2	192.0	510.9
Management Services	350.7	187.0	218.9	318.8
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 1,151.5	\$ 3,304.9	\$ 1,130.3	\$ 3,326.1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

S-22

---

**Table of Contents****Management's discussion and analysis of financial condition and results of operations****Compensation of Non-Employee Directors**

On May 19, 2005, our Board of Directors approved an increase in the annual compensation paid to our non-employee directors. The annual retainer fee for each non-employee director was increased from \$25,000 per year to \$40,000 per year. Each non-employee director may elect on an annual basis to receive all or a portion of his cash compensation in unrestricted common stock. In addition, each year, each non-employee director will be granted 1,000 unrestricted shares of our common stock.

**RESULTS OF OPERATIONS****Comparison of the Third Quarter of 2005 with the Third Quarter of 2004**

Although revenues decreased by \$87.4 million as the timing of new work awards was slower than anticipated, gross profit in 2005 increased by \$1.3 million, from \$23.6 million in 2004 to \$24.9 million in 2005, due primarily to the impact of the Cherry Hill acquisition in January 2005. Moreover, all of our business segments experienced improved gross margins in 2005. However, income before income taxes of \$9.8 million was unchanged from that experienced in 2004, due primarily to an increase in general and administrative expenses of \$1.8 million (or 14.0%) due to the inclusion of expenses of Cherry Hill in 2005 and an increase in compensation expense related to the amortization of certain restricted stock awards granted in the second half of 2004. The increase in general and administrative expenses was partly offset by a \$0.7 million decrease in other income (expense). In addition, interest expense increased by \$0.2 million and the provision for income taxes increased by \$0.4 million. As a result, net income decreased by \$0.4 million (or 6.2%), from \$6.4 million in 2004 to \$6.0 million in 2005. Basic earnings per common share were \$0.22 for the three months ended September 30, 2005, compared to \$0.26 for the three months ended September 30, 2004. Diluted earnings per common share were \$0.22 for the three months ended September 30, 2005, compared to \$0.25 for the three months ended September 30, 2004.

	Revenues for the Three Months Ended Sept. 30,		Increase (Decrease)	%
	2005	2004		
	(in millions, except % change)			
Building	\$ 247.0	\$ 346.6	\$ (99.6)	(28.7)%
Civil	77.9	46.7	31.2	66.8%
Management Services	55.5	74.5	(19.0)	(25.5)%
<b>Total</b>	<b>\$ 380.4</b>	<b>\$ 467.8</b>	<b>\$ (87.4)</b>	<b>(18.7)%</b>

Overall revenues decreased by \$87.4 million (or 18.7%), from \$467.8 million in 2004 to \$380.4 million in 2005. This decrease was due primarily to a decrease in building construction revenues of \$99.6 million (or 28.7%), from \$346.6 million in 2004 to \$247.0 million in 2005, due primarily to the timing of the start-up of new work in the hospitality and gaming market as the timing of new work awards was slower than anticipated. Management services revenues decreased by \$19.0 million (or 25.5%), from \$74.5 million in 2004 to \$55.5 million in 2005, due

## Edgar Filing: PERINI CORP - Form 424B3

primarily to a decreased volume of work related to the rebuilding of Iraq. These decreases were partly offset by an increase in civil construction revenues of \$31.2 million (or 66.8%), from \$46.7 million in 2004 to \$77.9 million in 2005, due primarily to the impact of the Cherry Hill acquisition.

S-23

---

**Table of Contents****Management's discussion and analysis of financial condition and results of operations**

	Income from Construction Operations for the Three Months Ended Sept. 30,		Increase  (Decrease)	% Change
	2005	2004 (in millions, except % change)		
Building	\$ 6.7	\$ 7.0	\$ (0.3)	(4.3)%
Civil	3.4	0.9	2.5	277.8%
Management Services	3.7	5.6	(1.9)	(33.9)%
Subtotal	\$ 13.8	\$ 13.5	\$ 0.3	2.2%
Less: Corporate	(3.7)	(2.8)	(0.9)	(32.1)%
Total	\$ 10.1	\$ 10.7	\$ (0.6)	(5.6)%

Income from operations (excluding corporate) increased by \$0.3 million (or 2.2%), from \$13.5 million in 2004 to \$13.8 million in 2005. Building construction income from operations decreased by \$0.3 million (or 4.3%), from \$7.0 million in 2004 to \$6.7 million in 2005, due primarily to the decrease in building construction revenues discussed above. Partly offsetting the negative impact of the decrease in building construction revenues was a higher gross profit margin, largely due to profit increases recognized upon the completion and close-out of several hospitality and gaming market projects. Civil construction income from operations increased by \$2.5 million (or 277.8%), from \$0.9 million in 2004 to \$3.4 million in 2005, due primarily to the impact of the Cherry Hill acquisition. Partly offsetting the higher civil construction gross profit margin in 2005 was a \$1.6 million increase in civil construction-related general and administrative expenses, due primarily to the addition of Cherry Hill in 2005. Management services income from operations decreased by \$1.9 million (or 33.9%), from \$5.6 million in 2004 to \$3.7 million in 2005, also due primarily to the decrease in management services revenues discussed above. Income from construction operations was negatively impacted by a \$0.9 million increase in corporate general and administrative expenses, from \$2.8 million in 2004 to \$3.7 million in 2005, due primarily to a \$0.5 million increase in compensation expense related to the amortization of certain restricted stock awards granted in the second half of 2004.

Other income (expense) decreased by \$0.7 million, from an expense of \$0.7 million in 2004 to zero in 2005, due primarily to \$0.2 million in expenses recorded in the third quarter of 2004 related to a public stock offering as well as a \$0.2 million decrease in the amortization of the intangible asset established in conjunction with the acquisition of Cummings in January 2003 (which is now fully amortized).

Interest expense increased by \$0.2 million, from \$0.2 million in 2004 to \$0.4 million in 2005, due to interest expense on mortgage debt and equipment financing debt assumed in conjunction with the Cherry Hill acquisition.

The provision for income taxes increased by \$0.4 million in 2005, from \$3.4 million in 2004 to \$3.8 million in 2005, based on a higher effective tax rate of 39.1% in 2005 compared to 34.6% in 2004.

**Comparison of the Nine Months Ended September 30, 2005 with the Nine Months Ended September 30, 2004**



## Edgar Filing: PERINI CORP - Form 424B3

Although revenues decreased by \$313.6 million as the timing of new work awards was slower than anticipated, gross profit in 2005 increased by \$1.3 million (or 1.8%), from \$70.9 million in 2004 to \$72.2 million in 2005, as all of our business segments experienced improved gross margins in 2005. However, income before income taxes decreased by \$5.2 million (or 15.0%), from \$34.7 million in 2004 to \$29.5 million in 2005, due primarily to an increase in general and administrative expenses of \$9.3

S-24

---

**Table of Contents****Management's discussion and analysis of financial condition and results of operations**

million (or 29.0%) due to the addition of Cherry Hill in 2005 and an increase in compensation expense related to the amortization of certain restricted stock awards granted in the second half of 2004. The increase in general and administrative expenses was partly offset by a \$3.3 million decrease in other income (expense). In addition, interest expense increased by \$0.6 million and the provision for income taxes increased by \$6.6 million, from \$4.9 million in 2004 to \$11.5 million in 2005, due to the realization in 2004 of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations. As a result, net income decreased by \$11.8 million (or 39.6%), from \$29.8 million in 2004 to \$18.0 million in 2005. Basic earnings per common share were \$0.67 for the nine months ended September 30, 2005, compared to \$1.24 for the nine months ended September 30, 2004. Diluted earnings per common share were \$0.66 for the nine months ended September 30, 2005, compared to \$1.16 for the nine months ended September 30, 2004.

Assuming an effective income tax rate of 39%, pro forma net income for the nine months ended September 30, 2004 would have been \$21.2 million, compared to reported net income of \$18.0 million for the nine months ended September 30, 2005. Similarly, pro forma basic earnings per share for the nine months ended September 30, 2004 would have been \$0.87, compared to reported basic earnings per share of \$0.67 for the nine months ended September 30, 2005. Pro forma diluted earnings per share for the nine months ended September 30, 2004 would have been \$0.81, compared to reported diluted earnings per share of \$0.66 for the nine months ended September 30, 2005.

	Revenues for the			% Change
	Nine Months Ended Sept. 30,		Increase	
	2005	2004 (in millions, except % change)	(Decrease)	
Building	\$ 719.4	\$ 1,008.1	\$ (288.7)	(28.6)%
Civil	192.0	110.5	81.5	73.8 %
Management Services	218.9	325.3	(106.4)	(32.7)%
<b>Total</b>	<b>\$ 1,130.3</b>	<b>\$ 1,443.9</b>	<b>\$ (313.6)</b>	<b>(21.7)%</b>

Overall revenues decreased by \$313.6 million (or 21.7%), from \$1,443.9 million in 2004 to \$1,130.3 million in 2005. This decrease was due primarily to a decrease in building construction revenues of \$288.7 million (or 28.6%), from \$1,008.1 million in 2004 to \$719.4 million in 2005, due primarily to the timing of the start-up of new work in the hospitality and gaming market as the timing of new work awards was slower than anticipated. Management services revenues decreased by \$106.4 million (or 32.7%), from \$325.3 million in 2004 to \$218.9 million in 2005 due primarily to a decreased volume of work related to the rebuilding of Iraq. These decreases were partly offset by an increase in civil construction revenues of \$81.5 million (or 73.8%), from \$110.5 million in 2004 to \$192.0 million in 2005, due primarily to the impact of the Cherry Hill acquisition.

	Income from Construction Operations for the			% Change
	Nine Months Ended Sept. 30,		Increase	
	2005	2004 (in millions, except % change)	(Decrease)	
Building	\$ 17.6	\$ 21.7	\$ (4.1)	(18.9)%
Civil	8.0	2.1	5.9	281.0 %

Edgar Filing: PERINI CORP - Form 424B3

Management Services	15.8	22.7	(6.9)	(30.4)%
	<u>          </u>	<u>          </u>	<u>          </u>	
Subtotal	\$ 41.4	\$ 46.5	\$ (5.1)	(11.0)%
Less: Corporate	(10.2)	(7.3)	(2.9)	(39.7)%
	<u>          </u>	<u>          </u>	<u>          </u>	
Total	\$ 31.2	\$ 39.2	\$ (8.0)	(20.4)%
	<u>          </u>	<u>          </u>	<u>          </u>	

S-25

---

**Table of Contents**

**Management s discussion and analysis of financial condition and results of operations**

---

Income from operations (excluding corporate) decreased by \$5.1 million (or 11.0%), from \$46.5 million in 2004 to \$41.4 million in 2005. Building construction income from operations decreased by \$4.1 million (or 18.9%), from \$21.7 million in 2004 to \$17.6 million in 2005, due primarily to the decrease in building construction revenues discussed above. Partly offsetting the negative impact of the decrease in building construction revenues was a higher gross profit margin, largely due to profit increases recognized upon the completion and close-out of several hospitality and gaming market projects. Partly offsetting the negative impact of the decrease in management services revenues was a higher gross profit margin, largely due to profit increases recognized upon the completion and close-out of two overseas projects. Civil construction income from operations increased by \$5.9 million (or 281.0%), from \$2.1 million in 2004 to \$8.0 million in 2005, due primarily to the impact of the Cherry Hill acquisition. Partly offsetting the higher civil construction gross profit margin in 2005 was a \$5.3 million increase in civil construction-related general and administrative expenses, due primarily to the addition of Cherry Hill in 2005. Management services income from operations decreased by \$6.9 million (or 30.4%), from \$22.7 million in 2004 to \$15.8 million in 2005, also due primarily to the decrease in management services revenues discussed above. Income from construction operations was negatively impacted by a \$2.9 million increase in corporate general and administrative expenses, from \$7.3 million in 2004 to \$10.2 million in 2005, due primarily to an increase in compensation expense related to the amortization of certain restricted stock awards granted in the second half of 2004.

Other income (expense) decreased by \$3.3 million, from an expense of \$3.9 million in 2004 to an expense of \$0.6 million in 2005, due primarily to a decrease of \$1.5 million of expenses related to a public stock offering, as well as a \$1.4 million decrease in the amortization of the intangible asset established in conjunction with the acquisition of Cummings in January 2003 (which is now fully amortized), and a \$0.2 million one-time charge recorded in the second quarter of 2004 due to the decision to freeze all benefit accruals under our defined benefit pension plan effective June 1, 2004.

Interest expense increased by \$0.6 million, from \$0.5 million in 2004 to \$1.1 million in 2005, due to interest expense on mortgage debt and equipment financing debt assumed in conjunction with the Cherry Hill acquisition.

The provision for income taxes increased by \$6.6 million, from \$4.9 million in 2004 to \$11.5 million in 2005, since the results for the nine months ended September 30, 2004 reflect a lower than normal tax rate due to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations.

**Reconciliation of Reported Net Income to Pro Forma Net Income for the Nine Months Ended September 30, 2004**

As mentioned above, our reported net income was \$29.8 million for the nine months ended September 30, 2004. Our reported basic earnings per common share were \$1.24 for the nine months ended September 30, 2004. Our reported diluted earnings per share were \$1.16 for the nine months ended September 30, 2004. Assuming an effective income tax rate of 39%, pro forma net income for the nine months ended September 30, 2004 would have been \$21.2 million, as compared to reported net income of \$29.8 million for the nine months ended September 30, 2004. Similarly, pro forma basic earnings per common share for the nine months ended September 30, 2004 would have been \$0.87, as compared to reported basic earnings per common share of \$1.24 for the nine months ended September 30, 2004. Pro forma diluted earnings per common share for the nine months ended September 30, 2004 would have been \$0.81, as compared to reported diluted earnings per common share of \$1.16

**Table of Contents****Management's discussion and analysis of financial condition and results of operations**

for the nine months ended September 30, 2004. The reconciliation of reported net income to pro forma net income for the nine months ended September 30, 2004 is set forth below:

	<b>Nine Months Ended September 30, 2004 (in thousands, except per share data)</b>
Reported net income	\$ 29,827
Plus: Provision for income taxes	4,900
	<hr/>
Income before income taxes	34,727
Provision for income taxes assuming 39% effective rate	13,544
	<hr/>
<b>Pro forma net income</b>	<b>\$ 21,183</b>
Less: Dividends accrued on Preferred Stock	(891)
	<hr/>
Pro forma total available for common stockholders	\$ 20,292
	<hr/>
<b>Pro forma basic earnings per common share</b>	<b>\$ 0.87</b>
	<hr/>
<b>Pro forma diluted earnings per common share</b>	<b>\$ 0.81</b>
	<hr/>
Weighted average common shares outstanding:	
Basic	23,376
Effect of dilutive stock options, warrants and restricted stock units outstanding	1,550
	<hr/>
Diluted	24,926
	<hr/>

No reconciliation of reported net income to pro forma net income for the nine month period ended September 30, 2005 and the three month periods ended September 30, 2005 and 2004 are provided since the actual effective tax rate approximates the pro forma tax rate of 39%; therefore, there would be no significant difference between actual results and pro forma results for nine month period ended September 30, 2005 and for the three month periods ended September 30, 2005 and 2004.

To supplement our unaudited consolidated financial statements presented on a GAAP basis, we sometimes use non-GAAP measures of net income, earnings per share and other measures that we believe are appropriate to enhance an overall understanding of our historical financial performance and future prospects. The non-GAAP results, which are adjusted to exclude certain costs, expenses, gains and losses from the comparable GAAP measures, are an indication of our baseline performance before gains, losses or other charges that are considered by management to be outside of our core operating results. These non-GAAP results are among the indicators management uses as a basis for evaluating our financial performance as well as for forecasting future periods. For these reasons, management believes these non-GAAP measures can be useful to investors, potential investors and others. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income or earnings per share prepared in accordance with GAAP.

**LIQUIDITY AND CAPITAL RESOURCES**

**Cash and Working Capital**

On October 14, 2005, we entered into an Amended and Restated Credit Agreement with Bank of America, N.A. and TD Banknorth. The amended and restated credit agreement amends and restates in its entirety our previously existing credit agreement dated as of January 23, 2002, as amended through March 31, 2005.

S-27

---

---

**Table of Contents**

**Management s discussion and analysis of financial condition and results of operations**

---

The amended and restated credit agreement provides for a secured revolving credit facility of up to \$50 million, unchanged from our previously existing credit agreement. The amended and restated credit agreement also provides for an increase in the aggregate amount of letters of credit that may be issued under the agreement from \$7.5 million to \$15 million. Outstanding letters of credit reduce availability under the revolving credit facility on a dollar-for-dollar basis. The termination date of the revolving credit facility was extended from June 30, 2007 to June 30, 2008.

In addition, the amended and restated credit agreement provides for a new \$30 million secured term loan, which was used to refinance a portion of the purchase price for the Rudolph and Sletten acquisition. The new term loan amortizes in equal quarterly principal payments of \$1.5 million commencing December 31, 2005 and continuing through October 14, 2010.

Interest accrues on borrowings under our amended and restated credit agreement at an annual rate equal to, at our option, either (1) adjusted LIBOR plus 200 basis points or (2) the prime rate. Outstanding letters of credit under our amended and restated credit agreement are subject to a per annum fee equal to 150 basis points. We are also required to pay administrative fees, commitment fees, letter of credit issuance and administration fees and certain expenses, and to provide certain indemnities, all of which we believe are customary for financings of this type.

Similar to our previously existing credit agreement, our amended and restated credit agreement requires us to meet certain financial covenants, including:

- a minimum working capital ratio of current assets over current liabilities of at least 1.20 to 1.00 at the end of each fiscal quarter;
- a minimum tangible net worth of at least \$150 million plus, on a cumulative basis, 50% of consolidated net income for each consecutive two fiscal quarters ended on June 30 and December 31 of each fiscal year;
- a minimum fixed charge coverage ratio of consolidated EBITDA (net income plus taxes, interest, depreciation and amortization and less capital expenditures) over covered charges (which include interest expense, cash taxes, scheduled payments of principal and interest and current period dividends on our outstanding preferred stock) of at least 1.50 to 1.00 as of the end of each fiscal quarter, calculated for the four consecutive fiscal quarters then ending;
- minimum consolidated net income of at least \$1.00 for each fiscal quarter; and
- minimum net operating profit levels of at least \$27.5 million in the aggregate for the fiscal year ending December 31, 2005, at least \$35 million in the aggregate for each of the four consecutive quarter periods ending March 31, 2006, June 30, 2006, September 30, 2006 and December 31, 2006, and at least \$40 million in the aggregate for the four consecutive quarter period ending March 31, 2007 and for each period of four consecutive fiscal quarters ending thereafter.

Our amended and restated credit agreement also includes operating covenants which we believe are customary for financings of this type, including restrictions on indebtedness, liens, investments, restricted payments, mergers and the purchase and sale of assets outside of the normal course of business. Our amended and restated credit agreement also provides for events of default which we believe are customary for financings of this type, with corresponding grace periods. The operating covenants and events of default under our amended and restated credit agreement

## Edgar Filing: PERINI CORP - Form 424B3

are substantially similar to those under our previously existing credit agreement.

As with our previously existing credit agreement, our obligations outstanding under our amended and restated credit agreement are guaranteed by substantially all of our current and future subsidiaries, and

S-28

---



---

**Table of Contents**

**Management s discussion and analysis of financial condition and results of operations**

---

are secured by substantially all of our and our subsidiaries assets, including a pledge of all of the capital stock of our subsidiaries.

As a result of the expected fourth quarter charge relating to the judgment in the WMATA litigation, we expect that we may fail to comply with one or more of the financial covenants in our amended and restated credit agreement. However, we will not be able to make this determination until after the completion of the fourth quarter of 2005 and determination of the actual amount of the charge to be taken in connection with the litigation judgment.

In the event we do fail to comply with one or more financial covenants in our amended and restated credit agreement, we intend to seek a waiver of such failures from our lenders under the credit agreement. We cannot assure you that our lenders would agree to provide such a waiver and, if such a waiver were not provided, our lenders would not be required to lend any additional amounts to us and could elect to declare all of our outstanding obligations under the amended and restated credit agreement, together with accrued and unpaid interest and fees, to be immediately due and payable and require us to cash collateralize our letters of credit. If this were to occur, we would be required to apply a significant portion of our available cash to satisfy these obligations. As of November 30, 2005, we had outstanding under our amended and restated credit agreement a \$30.0 million term loan, as well as \$7.5 million of outstanding letters of credit. Our cash and cash equivalents balance as of September 30, 2005 was \$100.1 million, although \$44.3 million of that balance represents our share of joint venture cash which would not be available for debt repayment. As a result, if we were to be required to repay all outstanding amounts under our amended and restated credit agreement and cash collateralize our letters of credit, we would be required to utilize a significant amount of our available cash and cash equivalents, which would have an adverse effect on our liquidity position.

Our cash and cash equivalents balance as of September 30, 2005 was \$100.1 million, although \$44.3 million of that balance represents our share of joint venture cash which would not be available for payment of the WMATA judgment. Further, our amended and restated credit agreement provides for a \$50 million revolving credit facility, of which \$42.5 million was available as of November 30, 2005. If we were to be required to pay the WMATA judgment and the related prejudgment interest, we would need to utilize a significant amount of our revolving credit facility, if available, and/or our available cash and cash equivalents, which would have an adverse effect on our liquidity position.

Cash and cash equivalents as reported in the accompanying consolidated condensed financial statements consist of amounts held by us as well as our proportionate share of amounts held by construction joint ventures. Cash held by us is available for general corporate purposes while cash held by construction joint ventures is available only for joint venture-related uses. Cash held by construction joint ventures is distributed from time to time to us and to the other joint venture participants in accordance with our respective percentage interest after the joint venture partners determine that a cash distribution is prudent. Cash distributions received by us from our construction joint ventures are then available for general corporate purposes. At September 30, 2005 and December 31, 2004, cash held by us and available for general corporate purposes was \$55.8 million and \$81.0 million, respectively, and our proportionate share of cash held by joint ventures and available only for joint venture-related uses was \$44.3 million and \$55.3 million, respectively.

**Table of Contents****Management's discussion and analysis of financial condition and results of operations**

A summary of cash flows for each of the nine month periods ended September 30, 2005 and 2004 is set forth below:

	<b>Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(in millions)</b>	
Cash flows from:		
Operating activities	\$ (10.0)	\$ 28.8
Investing activities	(21.7)	(2.0)
Financing activities	(4.5)	7.5
	<u>          </u>	<u>          </u>
Net increase (decrease) in cash	\$ (36.2)	\$ 34.3
Cash at beginning of year	136.3	67.8
	<u>          </u>	<u>          </u>
Cash at end of period	<u>\$ 100.1</u>	<u>\$ 102.1</u>

During the first nine months of 2005, we used \$36.2 million of cash on hand to fund \$10.0 million in cash flow used by operating activities, principally to fund working capital requirements; \$21.7 million to fund cash flow used by investing activities, principally to fund the January 2005 acquisition of Cherry Hill; and \$4.5 million to fund cash flow used by financing activities, which was primarily used to pay down a portion of the debt we assumed in conjunction with the acquisition of Cherry Hill. As a result, our consolidated cash balance decreased by \$36.2 million, from \$136.3 million at December 31, 2004 to \$100.1 million at September 30, 2005.

Working capital increased from \$178.0 million at the end of 2004 to \$183.0 million at September 30, 2005. The current ratio increased from 1.41x at December 31, 2004 to 1.50x at September 30, 2005.

On April 1, 2005, we made a \$9.0 million contribution to our defined benefit pension plan and do not expect to make further contributions to the pension plan in 2005.

The amount of unbilled work increased by \$3.6 million, from \$90.3 million at December 31, 2004 to \$93.9 million at September 30, 2005, due primarily to the addition of Cherry Hill and to the timing of certain contract billings.

**Long-term Debt**

Long-term debt at September 30, 2005 was \$17.4 million, an increase of \$8.8 million from December 31, 2004, due to mortgage debt and equipment financing debt assumed in conjunction with the Cherry Hill acquisition. Accordingly, the long-term debt to equity ratio increased

## Edgar Filing: PERINI CORP - Form 424B3

from 0.05x at December 31, 2004 to 0.09x at September 30, 2005.

### **Dividends**

There were no cash dividends declared or paid on our outstanding common stock during the periods presented herein.

The covenants in our previously existing credit agreement required us to suspend the payment of quarterly dividends on our \$21.25 Preferred Stock until certain financial criteria were met. Our \$21.25 Preferred Stock is held by holders in the form of \$2.125 Depositary Convertible Exchangeable Preferred

**S-30**

---

---

**Table of Contents**

**Management s discussion and analysis of financial condition and results of operations**

---

Shares (Depository Shares), each of which represents 1/10 of a share of our \$21.25 Preferred Stock. While quarterly dividends on the \$21.25 Preferred Stock (and as a result the Depository Shares) have not been paid since 1995, they have been fully accrued due to the cumulative feature of the \$21.25 Convertible Exchangeable Preferred Stock. The aggregate amount of dividends in arrears was approximately \$11.9 million as of September 30, 2005.

In November 2004, an agreement was reached to settle the class action lawsuit filed by the holders of the Depository Shares. On September 28, 2005, we announced that the United States District Court for the District of Massachusetts approved the settlement. The settlement and the number of Depository Shares participating in the settlement became final on October 24, 2005. Under the terms of the settlement, effective November 2, 2005, we purchased all of the 374,185 participating Depository Shares that were submitted for a purchase price per Depository Share of \$19.00 in cash and one share of our common stock, for an aggregate of \$7.1 million in cash and 374,185 shares of common stock. After consummation of the settlement, 185,088 Depository Shares remain outstanding.

Our Board of Directors has not decided that our working capital and other conditions warrant the resumption of payment of the regular dividend or any of the dividends in arrears on the \$21.25 Convertible Exchangeable Preferred Stock and, as a result, the Depository Shares. We do not have any plans or target date for resuming the dividend, given the following circumstances:

- a strong working capital position provides us with the option of performing large projects without a joint venture partner or to assume the sponsoring partner position resulting in a larger proportionate interest and a greater share of joint venture profits;
- a significant amount of working capital is dedicated to the funding requirements of our construction backlog, including collection of receivables and the resolution of unapproved change orders and contract claims, and to obtaining surety bonds required by our business; and
- we are pursuing a strategy of expanding our construction business internally and through acquisitions, both of which will likely require additional capital. In January 2005, we completed the acquisition of Cherry Hill for \$20 million in cash, net of the cash balance acquired, and on October 3, 2005 we completed the acquisition of Rudolph and Sletten, Inc. for \$53 million in cash, subject to a post-closing adjustment based on Rudolph and Sletten s 2005 fiscal year operating results and financial position.

S-31

---

**Table of Contents****Selling stockholders**

The following table sets forth the number of shares of common stock beneficially owned by the selling stockholders as of December 2, 2005, the number of shares of common stock covered by this prospectus supplement and the percentage of total shares of common stock that the selling stockholders will beneficially own upon completion of this offering. The table assumes that the selling stockholders sell all of the shares of common stock offered hereunder and the underwriters do not exercise their over-allotment option granted by the selling stockholders.

Other than as described in this prospectus supplement and the accompanying prospectus, the selling stockholders have not held any office or position or, to our knowledge, had any material relationship with us or our affiliates within the past three years. See *Certain Transactions* in the accompanying prospectus for more information on our related party transactions. The amounts and information set forth below are based upon information provided to us by representatives of the selling stockholders, or on our records, as of December 2, 2005, and are accurate to the best of our knowledge. It is possible, however, that the selling stockholders may acquire or dispose of additional shares of common stock from time to time after the date of this prospectus supplement. Certain affiliates of National Union Fire Insurance Company of Pittsburgh, Pa., or National Union, are registered broker-dealers. National Union purchased the securities listed below in the ordinary course of business and at the time of purchase of such securities, had no agreements or understandings, directly or indirectly, to distribute these securities.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock underlying options, warrants or other convertible securities that are currently exercisable or exercisable within 60 days of December 2, 2005 are deemed to be outstanding and to be beneficially owned by the person holding such options, warrants or other convertible securities for the purpose of computing the percentage ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Each selling stockholder's percentage of ownership before and after the sale of all shares of common stock covered by this prospectus supplement is based on 26,028,500 shares of common stock outstanding as of December 2, 2005.

<b>Selling Stockholders</b>	<b>Shares Beneficially Owned Prior to the Offering</b>		<b>Amount Offered</b>	<b>Shares Beneficially Owned After the Offering</b>	
	<b>Shares</b>	<b>%</b>	<b>Shares</b>	<b>Shares</b>	<b>%</b>
Tutor-Saliba Corporation	5,465,229(1)	21.00%	1,304,348	4,160,881(2)	15.99%
National Union Fire Insurance Company of Pittsburgh, Pa	2,659,846(3)	10.22%	266,874	2,392,972(2)	9.19%
O&G Industries, Inc.	2,502,941(4)	9.62%	608,696	1,894,245	7.28%
Blum Capital Partners, L.P.	3,117,147(5)	11.98%	2,667,257(6)	449,890(7)	1.73%
PB Capital Partners, L.P.	3,060,741(8)	11.76%	2,661,514	399,227	1.53%
The Union Labor Life Insurance Company, acting on behalf of its Separate Account P	224,488(9)	*	195,207	29,281	*
<b>Total</b>	<b>11,616,710(10)</b>	<b>44.63%(10)</b>	<b>5,042,382(11)</b>	<b>6,574,328(12)</b>	<b>25.26%(12)</b>

\* Represents less than 1% of the outstanding shares of common stock.

(footnotes continued on following page)



---

**Table of Contents**
**Selling stockholders**


---

- (1) Based on information contained in Schedule 13D/A filed on September 27, 2004 by Tutor-Saliba Corporation, or Tutor-Saliba. Includes 2,352,941 shares for which Tutor-Saliba has the right to call and purchase from National Union, and for which National Union has the right to put and sell to Tutor-Saliba, in either case at any time until March 29, 2006 (see "Certain Transactions" in the accompanying prospectus). Also includes 245,528 shares of common stock representing Tutor-Saliba's former limited partnership interest in PB Capital Partners, L.P., or PB Capital, that was distributed to Tutor-Saliba on November 13, 2003.
- (2) Includes the 2,352,941 shares that are subject to the put and call options held by Tutor-Saliba and National Union and described in Note 1 above.
- (3) Represents shared voting and investment power based on information contained in Schedule 13D/A of American International Group, Inc., the parent company of National Union, filed on April 28, 2004 (see "Certain Transactions" in the accompanying prospectus). Includes the 2,352,941 shares that are subject to the put and call options described in Note 1 above.
- (4) Based on information contained in Schedule 13D of O&G Industries, Inc. filed on February 15, 2000 and as updated for O&G's participation in the Transaction described under "Certain Transactions" in the accompanying prospectus.
- (5) Blum Capital Partners, L.P., or BCP, formerly known as Richard C. Blum & Associates, L.P., is the sole general partner of PB Capital. Based on information contained in Schedule 13D/A filed on April 26, 2004 by BCP, the amount includes (a) 3,060,741 shares of common stock held by PB Capital, over which BCP has shared voting and investment power, (b) 6,605 shares of common stock directly held by BCP and (c) the 49,801 shares of common stock held by a limited partner of PB Capital for which BCP serves as an investment advisor.
- (6) Includes the offering of 5,743 shares directly held by BCP, and the offering of 2,661,514 shares by PB Capital for which beneficial ownership has been attributed to BCP.
- (7) Includes (a) 399,227 shares of common stock held by PB Capital, over which BCP has shared voting and investment power, (b) 862 shares of common stock directly held by BCP and (c) the 49,801 shares of common stock held by a limited partner of PB Capital for which BCP serves as an investment advisor (see Note 5 above).
- (8) Based on information contained in Schedule 13D/A filed on April 26, 2004 by BCP.
- (9) Represents sole voting and investing power based on information contained in Schedule 13D/A dated June 3, 2004, filed by The Union Labor Life Insurance Company, acting on behalf of its Separate Account P, or ULLICO.
- (10) The share amount and percentage eliminates the duplication relating to (a) PB Capital's 3,060,741 shares of common stock which are also included in BCP's total (see Note 5 above), and (b) 2,352,941 shares of common stock included in both Tutor-Saliba's total and National Union's total for which Tutor-Saliba has the right to call and purchase from National Union and National Union has the right to put and sell to Tutor-Saliba (see Notes 1 and 3 above).
- (11) The share amount eliminates the duplication relating to PB Capital's 2,661,514 shares of common stock which are also included in BCP's total (see Note 6 above).
- (12) The share amount and percentage eliminates the duplication relating to (a) PB Capital's 399,227 shares of common stock which are also included in BCP's total (see Note 7 above), and (b) 2,352,941 shares of common stock included in both Tutor-Saliba's total and National Union's total for which Tutor-Saliba has the right to call and purchase from National Union and National Union has the right to put and sell to Tutor-Saliba (see Notes 1 and 3 above).

This prospectus supplement relates solely to the offering of shares of common stock by the selling stockholders named in the table above. The additional selling stockholders listed on page 63 of the accompanying prospectus may continue to use the accompanying prospectus, as it may be supplemented from time to time.

---

**Table of Contents**


---

## Underwriting

The selling stockholders are offering the shares of our common stock described in this prospectus supplement through the underwriters named below. UBS Securities LLC is the sole book-running manager of this offering. UBS Securities LLC is the representative of the underwriters. We have entered into an underwriting agreement with the representative. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase the number of shares of common stock listed next to its name in the following table.

<b>Underwriters</b>	<b>Number of shares</b>
UBS Securities LLC	
D.A. Davidson & Co.	
Morgan Joseph & Co. Inc.	
<b>Total</b>	<b>5,042,382</b>

The underwriting agreement provides that the underwriters must buy all of the shares if they buy any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

Our common stock is offered subject to a number of conditions, including:

Ø receipt and acceptance of our common stock by the underwriters; and

Ø the underwriters' right to reject orders in whole or in part.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

### OVER-ALLOTMENT OPTION

The selling stockholders have granted the underwriters an option to buy up to an aggregate of 756,357 additional shares of our common stock. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering. The underwriters have 30 days from the date of this prospectus supplement to exercise this option. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above.

### COMMISSIONS AND DISCOUNTS



Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$        per share from the initial price to the public. Any of these securities dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to \$        per share from the initial price to the public. Sales of shares made outside of the United States may be made by affiliates of the underwriters. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the shares at the prices and upon the terms stated therein and, as a result, will thereafter bear any risk associated with changing the offering price to the public or other selling terms.

**S-34**

---

**Table of Contents****Underwriting**

The following table shows the per share and total underwriting discounts and commissions the selling stockholders will pay to the underwriters assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase up to an additional 756,357 shares.

	No exercise	Full exercise
Per Share	\$	\$
Total	\$	\$

We estimate that the total expenses of this offering payable by us, not including the underwriting discounts and commissions, will be approximately \$ .

**NO SALES OF SIMILAR SECURITIES**

We, our executive officers and certain of our directors and the selling stockholders have entered into lock-up agreements with the underwriters. Under these agreements, except for certain exceptions described below, we and each of these persons may not, without the prior written approval of UBS Securities LLC, offer, sell, contract to sell or otherwise dispose of, directly or indirectly, or hedge our common stock or securities convertible into or exchangeable for our common stock. These restrictions will be in effect for a period of 90 days after the date of this prospectus supplement. At any time and without public notice, UBS Securities LLC may, in its sole discretion, release some or all the securities from these lock-up agreements.

This period may be extended if (1) during the last 17 days of the initial 90-day lock-up period, the Company releases earnings results or announces material news or a material event or (2) prior to the expiration of the initial 90-day lock-up period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial 90-day lock-up period. In each of these cases the lock-up period will be automatically extended for 18 days beginning on the date of the release of the earnings results or the announcement of the material news or material event, as applicable. UBS Securities LLC may waive, in writing, any extension.

The restrictions in our lock-up arrangements do not apply to issuances of our common stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date of this prospectus supplement, grants of employee stock options or awards of common stock or restricted stock units pursuant to the terms of a plan in effect on the date of this prospectus supplement or the exercise of any such options, or the filing of a registration statement pursuant to the registration rights agreement described under the caption "Registration Rights Agreements" "Warrant Holders Rights Agreement" in the accompanying prospectus.

The restrictions in the lock-up arrangements with our executive officers and directors, and the selling stockholders do not apply to:

- the shares of common stock sold in this offering;

## Edgar Filing: PERINI CORP - Form 424B3

- transactions by any person relating to shares of common stock or our other securities acquired in open market transactions after the date of this prospectus supplement;
- transfers of shares of common stock or any security convertible into or exercisable or exchangeable for our common stock as a bona fide gift or gifts; or
- (1) transfers or distributions of shares of common stock or any security convertible into or exercisable or exchangeable into our common stock to affiliates of that stockholder, (2) if the stockholder is a

S-35

---

---

**Table of Contents**

**Underwriting**

---

partnership or corporation, a distribution to the partners or shareholders of that stockholder, or (3) transfers by the stockholder (or its distributee or transferee) of common stock or securities convertible into or exercisable or exchangeable for our common stock to a family member of that stockholder (or its distributee or transferee) or trust created for the benefit of that stockholder (or its distributee or transferee), provided that, in each case, the transferee or distributee agrees to be bound by the terms of the restrictions contained in that stockholder's lock-up agreement.

The lock-up arrangements of the following persons include additional exceptions with those listed above:

- With respect to our executive officers and directors only, their lock-up arrangements do not apply to transfers of shares of common stock pursuant to the written plan of each such executive officer or director for trading securities in compliance with Rule 10b5-1 of the Exchange Act, provided that each such officer and director may not make any election or change to its participation in such plan after the date of this prospectus supplement or during the term of the lock-up period.
- With respect to Blum Capital Partners, L.P., its lock-up arrangement does not apply to the 49,801 shares of common stock held by a limited partner of PB Capital Partners, L.P. for which Blum Capital Partners, L.P. serves as investment advisor.
- The lock-up arrangement of National Union Fire Insurance Company of Pittsburgh, Pa. does not apply to transfers of common stock to Tutor-Saliba Corporation to effect the put and call agreement of those two entities described under the caption "Certain Transactions" in the accompanying prospectus. However, any shares acquired by Tutor-Saliba Corporation pursuant to the put and call agreement will be subject to the lock-up arrangements. Further, the lock-up arrangements permit Tutor-Saliba Corporation to pledge shares of common stock to secure any loan, the sole purpose and use of proceeds of which is to fund the exercise of the put and call agreement.
- In connection with the release obtained by Tutor-Saliba Corporation of the pledge relating to its shares of common stock to be sold in this offering from Comerica Bank, its outside financing source, including shares subject to the underwriters' over-allotment option, Tutor-Saliba Corporation may repledge to Comerica Bank the shares, if any, that remain unsold following the expiration of the underwriters' 30-day over-allotment option period. The lock-up agreements with Tutor-Saliba Corporation permit this repledge.

The underwriters have not entered into a lock-up arrangement with Martin Shubik, a director who was elected to our Board of Directors by the holders of our Depositary Shares and who owns 14,000 shares of common stock and 18,500 Depositary Shares.

**INDEMNIFICATION AND CONTRIBUTION**

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including certain liabilities under the Securities Act. If we and the selling stockholders are unable to provide this indemnification, we and the selling stockholders have agreed to contribute to payments the underwriters may be required to make in respect of those liabilities.

**NEW YORK STOCK EXCHANGE LISTING**

Edgar Filing: PERINI CORP - Form 424B3

Our common stock is listed on the New York Stock Exchange under the symbol PCR .

---

S-36

---

**Table of Contents**

**Underwriting**

---

**PRICE STABILIZATION, SHORT POSITIONS**

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

Ø stabilizing transactions;

Ø short sales;

Ø purchases to cover positions created by short sales;

Ø imposition of penalty bids; and

Ø syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. These transactions may also include making short sales of our common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be covered short sales, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be naked short sales, which are short positions in excess of that amount.

The underwriters may close out any covered short position by either exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchased in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

## Edgar Filing: PERINI CORP - Form 424B3

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

### **AFFILIATIONS**

D.A. Davidson & Co. has previously performed lending services for Tutor-Saliba Corporation and Ronald N. Tutor in the ordinary course of its business for which it received customary compensation. The underwriters and their affiliates may from time to time in the future engage in transactions with us and perform services for us in the ordinary course of their business for which they would receive customary compensation.

---

**S-37**

---

**Table of Contents**

---

## Notice to Canadian residents

### **RESALE RESTRICTIONS**

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling stockholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

### **REPRESENTATIONS OF PURCHASERS**

By purchasing common stock in Canada and accepting a purchase confirmation a purchaser is representing to us, the selling stockholders and the dealer from whom the purchase confirmation is received that

- Ø the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws;
- Ø where required by law, that the purchaser is purchasing as principal and not as agent;
- Ø the purchaser has reviewed the text above under **Resale Restrictions** ; and
- Ø the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the common stock to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available upon request.

### **RIGHTS OF ACTION ONTARIO PURCHASERS ONLY**

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the common stock, for rescission against us and the selling stockholders in the event that this prospectus contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the common stock. The right of action for rescission is



## Edgar Filing: PERINI CORP - Form 424B3

exercisable not later than 180 days from the date on which payment is made for the common stock. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the selling stockholders. In no case will the amount recoverable in any action exceed the price at which the common stock was offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we and the selling stockholders will have no liability. In the case of an action for damages, we and the selling stockholders will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the common stock as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

---

S-38

---

**Table of Contents**

**Notice to Canadian residents**

---

**ENFORCEMENT OF LEGAL RIGHTS**

All of our directors and officers as well as the experts named herein and the selling stockholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

**TAXATION AND ELIGIBILITY FOR INVESTMENT**

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

## Notice to investors

**EUROPEAN ECONOMIC AREA**

With respect to each Member State of the European Economic Area which has implemented Prospectus Directive 2003/71/EC, including any applicable implementing measures, from and including the date on which the Prospectus Directive is implemented in that Member State, the offering of our common stock in this offering is only being made:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than E43,000,000 and (3) an annual net turnover of more than E50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

**UNITED KINGDOM**

## Edgar Filing: PERINI CORP - Form 424B3

Shares of our common stock may not be offered or sold and will not be offered or sold to any persons in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses and in compliance with all applicable provisions of the FSMA with respect to anything done in relation to shares of our common stock in, from or otherwise involving the United Kingdom. In addition, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of shares of our common stock may only be communicated in circumstances in which Section 21(1) of the FSMA does not apply to our company. Without limitation to the other restrictions referred to herein, this offering circular is directed only at (1) persons outside the United Kingdom; (2) persons having professional experience in matters relating to investments who fall within the definition of investment professionals in Article 19(5) of the Financial Services and Markets act 2000 (Financial Promotion) Order 2005; or (3) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Services and Markets act 2000 (Financial Promotion) Order 2005. Without limitation to the other restrictions referred to herein, any investment or investment activity to which this offering circular relates is available only to, and will be engaged in only with, such persons, and persons within the United Kingdom who receive this communication (other than persons who fall within (2) or (3) above) should not rely or act upon this communication.

S-39

---

**Table of Contents**

**Notice to investors**

---

**SWITZERLAND**

Shares of our common stock may be offered in Switzerland only on the basis of a non-public offering. This prospectus does not constitute an issuance prospectus according to articles 652a or 1156 of the Swiss Federal Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange. The shares of our common stock may not be offered or distributed on a professional basis in or from Switzerland and neither this prospectus nor any other offering material relating to shares of our common stock may be publicly issued in connection with any such offer or distribution. The shares have not been and will not be approved by any Swiss regulatory authority. In particular, the shares are not and will not be registered with or supervised by the Swiss Federal Banking Commission, and investors may not claim protection under the Swiss Investment Fund Act.

## Legal matters

The validity of the shares of common stock offered hereunder has been passed upon by Goodwin Procter LLP, Boston, Massachusetts. The underwriters have been represented by Cravath, Swaine & Moore LLP, New York, New York.

**S-40**

---

---

**Table of Contents**

---

## INDEX TO FINANCIAL STATEMENTS

**FINANCIAL STATEMENTS (UNAUDITED)**

<u>Consolidated Condensed Balance Sheets</u> September 30, 2005 and December 31, 2004	F-2
<u>Consolidated Condensed Statements of Income</u> Three Months and Nine Months ended September 30, 2005 and 2004	F-3
<u>Consolidated Condensed Statement of Stockholders</u> Equity Nine Months ended September 30, 2005	F-4
<u>Consolidated Condensed Statements of Cash Flows</u> Nine Months ended September 30, 2005 and 2004	F-5
<u>Notes to Consolidated Condensed Financial Statements</u>	F-6

---

**F-1**

**Table of Contents****Perini Corporation and Subsidiaries****CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)**

SEPTEMBER 30, 2005 (UNAUDITED) AND DECEMBER 31, 2004

(In Thousands)

	SEPT. 30, 2005	DEC. 31, 2004
<b>ASSETS</b>		
Cash and Cash Equivalents (Note 3)	\$ 100,099	\$ 136,305
Accounts Receivable, including retainage	345,030	372,909
Unbilled Work	93,932	90,280
Deferred Tax Asset	3,594	4,110
Other Current Assets	7,105	4,112
	<u>          </u>	<u>          </u>
Total Current Assets	\$ 549,760	\$ 607,716
	<u>          </u>	<u>          </u>
Property and Equipment, less Accumulated Depreciation of \$24,497 in 2005 and \$21,286 in 2004	\$ 53,224	\$ 17,486
	<u>          </u>	<u>          </u>
Goodwill	\$ 12,678	\$ 12,678
	<u>          </u>	<u>          </u>
Other Assets	\$ 2,351	\$ 16,385
	<u>          </u>	<u>          </u>
	<u>\$ 618,013</u>	<u>\$ 654,265</u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Maturities of Long-term Debt	\$ 10,641	\$ 759
Accounts Payable, including retainage	278,294	344,684
Deferred Contract Revenue	57,115	57,111
Accrued Expenses	20,689	27,133
	<u>          </u>	<u>          </u>
Total Current Liabilities	\$ 366,739	\$ 429,687
	<u>          </u>	<u>          </u>
Long-term Debt, less current maturities included above (Note 11)	\$ 17,429	\$ 8,608
	<u>          </u>	<u>          </u>
Other Long-term Liabilities (Note 8)	\$ 37,909	\$ 41,936
	<u>          </u>	<u>          </u>
Contingencies and Commitments (Note 5)		
Stockholders' Equity:		
Preferred Stock (Note 5)	\$ 56	\$ 56
Series A Junior Participating Preferred Stock		
Stock Purchase Warrants	461	965
Common Stock	25,629	25,233
Additional Paid-in Capital	114,997	110,058
Retained Earnings	81,897	64,826
	<u>          </u>	<u>          </u>
	<u>\$ 223,040</u>	<u>\$ 201,138</u>
Accumulated Other Comprehensive Loss	(27,104)	(27,104)

Total Stockholders Equity	\$ 195,936	\$ 174,034
	\$ 618,013	\$ 654,265

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

---

F-2

**Table of Contents****Perini Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)**

(In Thousands, Except Share and Per Share Data)

	THREE MONTHS		NINE MONTHS	
	ENDED SEPT. 30,		ENDED SEPT. 30,	
	2005	2004	2005	2004
Revenues (Note 9)	\$ 380,314	\$ 467,743	\$ 1,130,251	\$ 1,443,855
Cost of Operations	355,442	444,110	1,058,040	1,372,963
Gross Profit	\$ 24,872	\$ 23,633	\$ 72,211	\$ 70,892
General and Administrative Expenses	14,710	12,912	40,982	31,720
<b>INCOME FROM CONSTRUCTION OPERATIONS (Note 9)</b>	<b>\$ 10,162</b>	<b>\$ 10,721</b>	<b>\$ 31,229</b>	<b>\$ 39,172</b>
Other Income (Expense), Net	29	(688)	(638)	(3,939)
Interest Expense	(418)	(198)	(1,091)	(506)
Income before Income Taxes	\$ 9,773	\$ 9,835	\$ 29,500	\$ 34,727
Provision for Income Taxes (Note 6)	(3,821)	(3,405)	(11,538)	(4,900)
<b>NET INCOME</b>	<b>\$ 5,952</b>	<b>\$ 6,430</b>	<b>\$ 17,962</b>	<b>\$ 29,827</b>
Less: Accrued Dividends on \$21.25 Preferred Stock (Note 8)	(297)	(297)	(891)	(891)
<b>NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS</b>	<b>\$ 5,655</b>	<b>\$ 6,133</b>	<b>\$ 17,071</b>	<b>\$ 28,936</b>
<b>BASIC EARNINGS PER COMMON SHARE (Note 7)</b>	<b>\$ 0.22</b>	<b>\$ 0.26</b>	<b>\$ 0.67</b>	<b>\$ 1.24</b>
<b>DILUTED EARNINGS PER COMMON SHARE (Note 7)</b>	<b>\$ 0.22</b>	<b>\$ 0.25</b>	<b>\$ 0.66</b>	<b>\$ 1.16</b>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Note 7):</b>				
BASIC	25,541,087	23,905,884	25,391,997	23,375,987
Effect of Dilutive Stock Options, Warrants and Restricted Stock Units Outstanding	495,239	1,005,803	623,442	1,550,448
<b>DILUTED</b>	<b>26,036,326</b>	<b>24,911,687</b>	<b>26,015,439</b>	<b>24,926,435</b>



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

---

**F-3**

**Table of Contents****Perini Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS EQUITY (UNAUDITED)**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

(In Thousands)

	Preferred Stock	Stock Purchase Warrants	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2004	\$ 56	\$ 965	\$ 25,233	\$ 110,058	\$ 64,826	\$ (27,104)	\$ 174,034
Net income					17,962		17,962
Preferred stock dividends accrued (\$15.9375 per share*)					(891)		(891)
Common stock options and stock purchase warrants exercised		(504)	255	1,175			926
Income tax benefit attributable to nonqualified stock options exercised				1,216			1,216
Restricted stock compensation expense				2,891			2,891
Common Stock issued			141	(343)			(202)
Balance September 30, 2005	\$ 56	\$ 461	\$ 25,629	\$ 114,997	\$ 81,897	\$ (27,104)	\$ 195,936

\*Equivalent to \$1.5938 per Depositary Share

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

**Table of Contents****Perini Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(In Thousands)

	<b>NINE MONTHS ENDED SEPT. 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 17,962	\$ 29,827
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	4,182	3,981
Restricted stock compensation expense	2,891	
Income tax benefit from stock options exercised	1,216	
Deferred income taxes	7,691	4,334
Gain on sale of equipment	(100)	(718)
Gain on sale of marketable securities	(482)	
Unrealized loss on marketable securities	523	
Other items, net	674	59
Cash used by changes in components of working capital other than cash, current maturities of long-term debt and deferred tax asset	(44,574)	(8,682)
<b>NET CASH (USED BY) PROVIDED FROM OPERATING ACTIVITIES</b>	<b>\$ (10,017)</b>	<b>\$ 28,801</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of Cherry Hill Construction, Inc., net of cash balance acquired (Note 4)	\$ (19,970)	\$
Acquisition of property and equipment	(8,230)	(3,941)
Proceeds from sale of property and equipment	1,104	1,017
Proceeds from sale of marketable securities	4,758	
Proceeds from other investing activities	663	884
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>\$ (21,675)</b>	<b>\$ (2,040)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from long-term debt	\$ 4,520	\$ 1,428
Reduction of long-term debt	(9,599)	(349)
Proceeds from exercise of common stock options and stock purchase warrants	926	7,630
Issuance of common stock	(202)	
Expenditure for stock registration	(159)	(1,181)
<b>NET CASH (USED BY) PROVIDED FROM FINANCING ACTIVITIES</b>	<b>\$ (4,514)</b>	<b>\$ 7,528</b>
Net (Decrease) Increase in Cash	\$ (36,206)	\$ 34,289
Cash at Beginning of Year	136,305	67,823
Cash at End of Period	\$ 100,099	\$ 102,112

Edgar Filing: PERINI CORP - Form 424B3

	<u>          </u>	<u>          </u>
Supplemental Disclosure of Cash Paid During the Period For:		
Interest	\$ 1,092	\$ 506
	<u>          </u>	<u>          </u>
Income taxes	\$ 2,987	\$ 1,587
	<u>          </u>	<u>          </u>

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

---

F-5

---

**Table of Contents**

**Perini Corporation and Subsidiaries**

---

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**1 Basis of Presentation**

The unaudited consolidated condensed financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2004. In the opinion of management, the accompanying unaudited consolidated condensed financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of September 30, 2005 and December 31, 2004, results of operations for the three month and nine month periods ended September 30, 2005 and 2004, and cash flows for the nine month periods ended September 30, 2005 and 2004. The results of operations for the nine months ended September 30, 2005 may not be indicative of the results that may be expected for the year ending December 31, 2005 because the Company's results are primarily generated from a limited number of significant active construction contracts. Therefore, such results can vary depending on the timing of progress achieved and changes in estimated profitability of projects being reported.

**2 Significant Accounting Policies**

The significant accounting policies followed by the Company and its subsidiaries in preparing its consolidated financial statements are set forth in Note (1) to such financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. The Company has made no significant change in these policies during 2005.

In conjunction with the finalization of the purchase price allocation for the acquisition of Cherry Hill, the Company adjusted the estimated useful lives and estimated salvage values of the Cherry Hill fixed assets. Additionally, effective May 1, 2005, the Company prospectively changed its method of calculating depreciation for construction and computer-related equipment from accelerated methods to the straight-line method. As a result of these changes, the Cherry Hill fixed assets and fixed assets acquired by the Company on or after May 1, 2005 will have depreciation provided based on estimated useful lives ranging from five to twenty years and estimated salvage values ranging from ten to forty percent of the acquisition cost. Cherry Hill's previous policy, which continued to be applied by the Company up until the finalization of the purchase price allocation, was to provide depreciation on a straight-line basis over lives ranging from five to thirty-nine years with no provision for estimated salvage values. The Company's previous policy, which will continue to apply to fixed assets acquired prior to May 1, 2005 (except for the Cherry Hill fixed assets), was to provide depreciation on construction and computer-related equipment primarily using accelerated methods over lives ranging from three to seven years and the straight-line method for remaining depreciable property over lives ranging from three to thirty years with no provision for estimated salvage values. These changes were adopted to recognize a more realistic periodic charge to income based on the Company's historical experience as well as to enhance financial statement comparability with most other public construction companies.

The effect of the change in depreciation policy in 2005 was to increase net income for the nine months ended September 30, 2005 by approximately \$0.4 million (all of which relates to the Cherry Hill fixed assets acquired effective January 1, 2005) and to increase both basic and diluted earnings per common share by \$0.02. Since the new depreciation policy was applied on a prospective basis and fixed assets acquired prior to May 1, 2005 have continued to be depreciated under the policy previously in effect, the

F-6

**Table of Contents****Perini Corporation and Subsidiaries****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

cumulative effect of a change in accounting principle or pro forma effects of retroactive application disclosure is not required in accordance with the provisions of Accounting Principles Board Opinion No. 20, Accounting Changes .

**3 Cash and Cash Equivalents**

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

Cash and cash equivalents as reported in the accompanying Consolidated Condensed Balance Sheets consist of amounts held by the Company that are available for general corporate purposes and the Company's proportionate share of amounts held by construction joint ventures that are available only for joint venture-related uses. Cash held by construction joint ventures is distributed from time to time to the Company and to the other joint venture participants in accordance with their percentage interest after the joint venture partners determine that a cash distribution is prudent. Cash distributions received by the Company from its construction joint ventures are then available for general corporate purposes. At September 30, 2005 and December 31, 2004, cash and cash equivalents consisted of the following (in thousands):

	<b>Sept. 30, 2005</b>	<b>Dec. 31, 2004</b>
Corporate cash and cash equivalents (available for general corporate purposes)	\$ 55,767	\$ 81,024
Company's share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	44,332	55,281
	<u>\$ 100,099</u>	<u>\$ 136,305</u>

**4 Acquisition of Cherry Hill Construction, Inc.**

On January 21, 2005, the Company completed the acquisition of 100% of the outstanding capital stock of Cherry Hill Construction, Inc. (Cherry Hill), a privately held construction company based in Jessup, Maryland, for approximately \$22 million in cash. Cherry Hill is an established civil contractor operating in the Mid-Atlantic and Southeast regions specializing in excavation, foundations, paving and construction of civil infrastructure. The acquisition was effective as of January 1, 2005 and, accordingly, Cherry Hill's financial results are included in the Company's consolidated results of operations and financial position beginning in the first quarter of 2005.

The transaction was accounted for using the purchase method of accounting as required by FASB Statement No. 141, Business Combinations . The cost to acquire Cherry Hill, which consists of the \$22 million cash consideration referred to above and \$400,000 of other direct acquisition costs, was less than the estimated fair value of the assets acquired less the liabilities assumed. The resulting excess of the fair value of acquired

## Edgar Filing: PERINI CORP - Form 424B3

net assets over cost was generally allocated as a pro rata reduction of the estimated fair value of the non-current assets acquired in accordance with SFAS No. 141. The following table summarizes fair value of the assets acquired and liabilities assumed as of January 1, 2005 after the allocation described above (in thousands):

---

F-7



**Table of Contents****Perini Corporation and Subsidiaries****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

Current assets	\$ 46,920
Property and equipment, net	32,155
Other long-term assets	376
Intangible assets	790
	<hr/>
Total assets acquired	\$ 80,241
Current liabilities	(39,604)
Long-term debt	(12,167)
Long-term deferred tax liabilities	(6,023)
	<hr/>
Total Acquisition Costs	\$ 22,447

The amount assigned to intangible assets primarily represents the Company's estimate of the fair value of contract backlog acquired as of January 1, 2005 and was based on an independent appraisal. The intangible assets will be amortized using the straight-line method over an approximate 2.5-year period based on the estimated durations of the contracts acquired.

Since the acquisition was effective as of January 1, 2005, the Company's actual 2005 year to date results include Cherry Hill for the total period. Therefore, the following pro forma financial information is only presented for the comparative three month and nine month periods ended September 30, 2004 (in thousands, except per share data):

	<b>Three Months Ended September 30, 2004</b>		<b>Nine Months Ended September 30, 2004</b>	
	<b>Actual</b>	<b>Pro forma</b>	<b>Actual</b>	<b>Pro forma</b>
Revenues	\$ 467,743	\$ 505,902	\$ 1,443,855	\$ 1,558,332
Gross profit	\$ 23,633	\$ 29,093	\$ 70,892	\$ 87,271
Net income	\$ 6,430	\$ 7,730	\$ 29,827	\$ 33,727
Basic earnings per common share	\$ 0.26	\$ 0.31	\$ 1.24	\$ 1.40
Diluted earnings per common share	\$ 0.25	\$ 0.30	\$ 1.16	\$ 1.32

The pro forma results have been prepared for comparative purposes only and include certain adjustments such as increased interest expense on acquisition debt, reduced depreciation expense related to the reduction of the fixed asset carrying values due the application of purchase accounting (as described above), and additional amortization expenses related to intangible assets arising from the acquisition. The pro forma results are not necessarily indicative either of the results of operations that actually would have resulted had the acquisition been in effect on January 1, 2004 or of future results.

**5 Contingencies and Commitments**

**(a) Mergentime - Perini Joint Ventures vs. WMATA Matter**

On May 11, 1990, contracts with two joint ventures in which Perini Corporation, or Perini, held a 40% interest were terminated by the Washington Metropolitan Area Transit Authority, or WMATA, on two subway construction projects in the District of Columbia. The contracts were awarded to the joint ventures in 1985 and 1986. However, Perini and Mergentime Corporation, or Mergentime, the 60% managing partner, entered into an agreement in 1987 under which Perini withdrew from the joint

---

F-8

---

**Table of Contents**

**Perini Corporation and Subsidiaries**

---

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

ventures and Mergentime assumed complete control over the performance of both projects. This agreement did not relieve Perini of its responsibilities to WMATA as a joint venture partner. After Perini withdrew from the joint ventures, Mergentime and WMATA had a dispute regarding progress on the projects. After both construction contracts were terminated, WMATA retained Perini, acting independently, to complete both projects.

Subsequently, the joint ventures brought an action in the United States District Court for the District of Columbia against WMATA, seeking damages for delays, unpaid extra work and wrongful termination and WMATA brought an action against the joint ventures seeking damages for additional costs to complete the projects. After a bench trial, the District Court found the joint ventures liable to WMATA for damages in the amount of approximately \$16.5 million and WMATA liable to the joint ventures for damages in the amount of approximately \$4.3 million.

The joint ventures appealed the judgment to the United States Court of Appeals for the District of Columbia, and on February 16, 1999, the Court of Appeals vacated the District Court's final judgment and ordered the District Court to review its prior findings and hold further hearings in regard to the joint venture's affirmative claims. In addition, the Court of Appeals held that statutory interest on any of the claims will not accrue until final judgment is entered sometime in the future.

On February 28, 2001, a successor District Court Judge informed the parties that he could not certify adequate familiarity with the record to complete the remaining proceedings; therefore, he granted the joint ventures' motion for a new trial. The joint ventures are seeking \$28.9 million, plus interest, from WMATA, and WMATA is seeking \$29.3 million from the joint ventures. A new trial was completed in January 2002 and a decision is still pending. The ultimate financial impact of the Judge's pending decision is not yet determinable; therefore, no provision for loss, if any, has been recorded in the financial statements.

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

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

Claims concerning the construction of the LAMTA projects were tried before a jury in 2001. During trial, the Judge ruled that the Joint Venture had failed to comply with the Court's prior discovery orders and the Judge penalized TSP for the alleged non-compliance by dismissing the Joint Venture's claims and by ruling, without a jury finding, that TSP was liable to the LAMTA for damages on the LAMTA's counterclaims. The Judge then instructed the jury that TSP was liable to the LAMTA and charged the jury with the responsibility of determining the amount of the damages based on the Judge's ruling. The jury awarded the LAMTA approximately \$29.6 million in damages.



---

**Table of Contents**

**Perini Corporation and Subsidiaries**

---

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

On March 26, 2002, the Judge amended the award, ordering TSP to pay the LAMTA an additional \$33.4 million in costs and attorney fees, with the aggregate \$63.0 million award subject to interest at an annual rate of 10% from the date of the award.

TSP appealed the Judge's discovery sanction, the subsequent judgment and the amended judgment.

On January 25, 2005, the State of California Court of Appeal issued an opinion in which it reversed the entire \$63.0 million trial court's judgment and found that the trial court judge had abused his discretion and violated TSP's due process rights and imposed an impermissibly overbroad sanction in issuing terminating sanctions that prevented the Joint Venture from presenting its claims and severely limited TSP in defending itself against the LAMTA's lawsuit. The Court of Appeal also directed the trial court to dismiss LAMTA's claims that TSP had violated the Unfair Competition Law and remanded the Joint Venture's claims against LAMTA for extra work required by LAMTA and LAMTA's counterclaim under the California False Claim Act against TSP to the trial court for further proceedings, including a new trial. The LAMTA petitioned the Court of Appeal for rehearing and the California Supreme Court for review. Both petitions were denied and the case was remanded and has been reassigned for a new trial.

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

**(c) City of San Francisco vs. Tutor-Saliba, Perini & Buckley Joint Venture Matter**

In November 2002, the San Francisco City Attorney, on behalf of the City and County of San Francisco and the citizens of California, filed a civil action with a demand for a jury trial against the Tutor-Saliba, Perini & Buckley Joint Venture, or the Joint Venture, Perini Corporation, or Perini, Tutor-Saliba Corporation, or Tutor-Saliba, Buckley & Company, Inc., or Buckley, and their bonding companies in the United States District Court in San Francisco relating to seven projects for work on the expansion of the San Francisco International Airport. A second amended complaint was filed in July 2003 which, among other things, added Ronald N. Tutor as a defendant. The Joint Venture was established by Tutor-Saliba, Perini and Buckley through two joint venture agreements dated October 28, 1996 and February 11, 1997. The Joint Venture had agreements with the Owner to perform work ( Contracts ) on only two of the above projects ( Projects ) and, as part of those Contracts, the Joint Venture provided performance and payment bonds to the Owner ( Bonds ).

On or about May 24, 2004, the Court granted substantial portions of the defendants' motion to dismiss the plaintiffs' second amended complaint with leave to amend certain causes of action. On June 21, 2004, the plaintiffs filed their third amended complaint. In the third amended complaint, the plaintiffs allege, among other things, various overcharges, bidding violations, violations of minority contracting regulations, civil fraud, violation of the California False Claims and Unfair Competition Acts and breach of contract. In addition, the plaintiffs allege that the defendants have violated the United States Racketeer Influenced Corrupt Organizations Act ( RICO ). The plaintiffs have asserted approximately \$45 million in actual damages against the Joint Venture and each of its partners as well as substantial liquidated damages, treble damages, punitive and exemplary damages, various civil penalties and a declaration that Tutor-Saliba and the Joint Venture are irresponsible bidders.

## Edgar Filing: PERINI CORP - Form 424B3

The defendants filed a Motion to Dismiss the Third Amended Complaint in August, 2004. The Court ruled on the Motion To Dismiss, granting it in part, and denying it in part. Specifically, the Court

---

**F-10**

---

**Table of Contents**

**Perini Corporation and Subsidiaries**

---

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

dismissed one of the two bases Plaintiffs alleged to establish a RICO action; the breach of contract claim against Tutor-Saliba and the Joint Venture for their alleged violations of minority contracting regulations; and the request that the Court declare Tutor-Saliba and the Joint Venture to be irresponsible bidders. The Court has set a trial date in January, 2007.

Tutor-Saliba is the managing partner of the Joint Venture and, in December 1997, Perini sold its entire 20% interest in the Joint Venture to Tutor-Saliba. As part of that sale agreement, Tutor-Saliba agreed to indemnify Perini from any liability that Perini is required to pay by reason of or arising out of any event or occurrence subsequent to the date of the sale of Perini's interest in the Joint Venture in any way connected with the joint venture agreements, the Contracts, the Projects and the Bonds. It is unclear based on the plaintiff's current complaint whether the claims against the Joint Venture arise out of events that occurred subsequent to the date of the sale of Perini's interest. The ultimate financial impact of this action is not yet determinable.

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

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

On March 19, 2002, Redondo filed a petition for reorganization under 11 U.S.C. Chapter 11 in U.S. Bankruptcy Court for the District of Puerto Rico. On December 23, 2002, RPJV filed an arbitration demand against STP seeking the recovery of additional costs related to design changes and the late completion of the design. On January 31, 2003, STP filed a counter-demand against RPJV seeking the recovery of damages allegedly related to defects in design and construction and the late completion of RPJV's work along with the repayment for alleged advances previously paid to RPJV. Arbitration evidentiary hearings commenced and are continuing.

On October 7, 2004, STP filed suit against Perini in New York State court seeking enforcement against Perini of a Guaranty Agreement that allegedly guarantees the performance and payment obligations of the subject RPJV/Siemens Contract in an amount to be determined at trial, but not less than \$27 million. This action has been stayed pending the arbitration.

On December 3, 2004, the Arbitrators dismissed RPJV's claims for general delay damages, and general conditions, its claim for damages under cardinal change theory and the claim amount of a subcontractor. RPJV's remaining claims are for \$46.7 million. STP's revised claim is now approximately \$26 million, including its claim for alleged advances already paid.

## Edgar Filing: PERINI CORP - Form 424B3

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

### **(e) Perini/Kiewit/Cashman Joint Venture-Central Artery/Tunnel Project Matter**

Perini/Kiewit/Cashman Joint Venture, or PKC, a joint venture in which Perini holds a 56% interest and is the managing partner, is currently pursuing a series of claims for additional contract time and/or

---

F-11



---

**Table of Contents**

**Perini Corporation and Subsidiaries**

---

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

compensation against the Massachusetts Highway Department, or MHD, for work performed by PKC on a portion of the Central Artery/Tunnel project in Boston, Massachusetts. During construction, MHD ordered PKC to perform changes to the work and issued related direct cost changes with an estimated value, excluding time delay and inefficiency costs, in excess of \$100 million. In addition, PKC encountered a number of unforeseen conditions during construction that greatly increased PKC's cost of performance.

Certain of PKC's claims have been presented to a Disputes Review Board, or the DRB, which consists of three construction experts chosen by the parties. To date, the DRB has ruled on a binding basis that PKC is entitled to additional compensation for its contract time delay claim in the amount of \$17.4 million. On March 20, 2002, the Superior Court of the Commonwealth of Massachusetts approved PKC's request to confirm the DRB's \$17.4 million award. The MHD has appealed the Superior Court decision to the Appeals Court of the Commonwealth of Massachusetts and the appeal is pending. Oral argument was held on October 19, 2005.

The DRB has also ruled on a binding basis that PKC is entitled to three additional compensation awards totaling \$27.8 million for impacts and inefficiencies caused by MHD to certain of PKC's work. MHD has filed actions in the Massachusetts Superior Court seeking to vacate these awards, and PKC has answered, seeking to confirm them. PKC is awaiting a decision from the Court on cross-motions in two of these actions, which were argued in February 2005. The third action has not yet been heard.

Under the Dispute Resolution Rules of the contract, either party may periodically terminate the services of some or all of the DRB members, provided that members who are removed under this provision will remain on the DRB through the completion of any then pending claims. The MHD removed the Second DRB members under this provision, although those members have continued to hear claims that were pending when it was terminated. Replacement (Third) DRB members have been agreed upon. The issue of which claims are pending before which DRB has been the subject of rulings by the Second DRB and extensive litigation, some of which is still ongoing.

Over the past several months, the MHD has refused to pay the Second DRB for its services, and it contends that PKC may not pay MHD's share of those expenses. PKC has nevertheless paid the Second DRB for both parties' share. This issue is currently the subject of litigation to halt the Second DRB proceedings or overturn its decisions.

The pending claims yet to be decided by the Second DRB on a binding basis total \$103.6 million (exclusive of interest). The remaining claims to be decided by the Third DRB on a binding basis total \$22.8 million (exclusive of interest).

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

## Edgar Filing: PERINI CORP - Form 424B3

On August 14, 2002, the Massachusetts Attorney General's office, pursuant to its authority under the Massachusetts False Claims Act, served a Civil Investigative Demand ( CID ) on Perini and the other joint venture partners. The CID sought the production of certain construction claims documentation in connection with the Central Artery/Tunnel Contract No. C11A1. In September 2004, the Attorney

---

F-12

---

**Table of Contents**

**Perini Corporation and Subsidiaries**

---

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

General's office presented a list of items that it believed constitute possible false claims. PKC made a responsive presentation to the Attorney General's office in January 2005. PKC vigorously denies that it submitted any false claims and is cooperating with the Attorney General's office in the ongoing investigation.

**(f) \$21.25 Preferred Shareholders Class Action Lawsuit**

On October 15, 2002, Frederick Doppelt, Arthur I. Caplan and Leland D. Zulch filed a lawsuit individually, and as representatives of a class of holders of the Company's \$2.125 Depositary Convertible Exchangeable Preferred Shares, representing 1/10 Share of \$21.25 Convertible Exchangeable Preferred Stock ( Depositary Shares ) against certain current and former directors of Perini. Mr. Doppelt is a current director of Perini and Mr. Caplan is a former director of Perini. Specifically, the original complaint alleged that the defendants breached their fiduciary duties owed to the holders of the Depositary Shares and to Perini. The plaintiffs principally alleged that the defendants improperly authorized the exchange of Series B Preferred Stock for common stock while simultaneously refusing to pay accrued dividends due on the Depositary Shares.

In July 2003, the plaintiffs filed an amended complaint. The amended complaint added an allegation that the defendants had further breached their fiduciary duties by authorizing a tender offer for the purchase of up to 90% of the Depositary Shares and an allegation that the collective actions of the defendants constitute unfair and deceptive business practices under the provisions of the Massachusetts Consumer Protection Act. The amended complaint withdrew the allegation of a breach of fiduciary duty owed to Perini, but retained the allegation with respect to a breach of those duties owed to the holders of the Depositary Shares.

On April 12, 2004, pursuant to Defendants' Motions to Dismiss, the Court dismissed the claim under the Massachusetts Consumer Protection Act. The Court did not dismiss the claim for breach of fiduciary duty, except as such claim relates to the tender offer for the purchase the Company's Depositary Shares. Pursuant to the Court's April 12, 2004 Order, in May 2004 the plaintiffs filed a third amended complaint and a motion for class certification. Defendants filed an answer denying any and all claims of wrongdoing and asserting affirmative defenses.

On November 30, 2004, Perini announced that the parties had reached an agreement for settlement of the Action. Under the terms of the settlement, Perini would purchase all of the Depositary Shares submitted in the settlement for consideration per share of \$19.00 in cash and one share of Perini common stock.

On April 19, 2005, the District Court of Massachusetts conditionally certified a class of holders of Depositary Shares for purposes of settlement only. On May 5, 2005, the Court preliminarily approved the settlement as being fair, just, reasonable and adequate, pending a final hearing.

On September 21, 2005, the Court gave final approval to the settlement as being fair, just, reasonable and adequate.

Edgar Filing: PERINI CORP - Form 424B3

The settlement and the number of Depositary Shares participating in the settlement became final on October 24, 2005. Under the terms of the settlement, effective November 2, 2005, the Company purchased all of the 374,185 participating Depositary Shares that were submitted for \$19.00 in cash and

---

F-13

---

**Table of Contents**

**Perini Corporation and Subsidiaries**

---

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

one share of the Company's common stock for each Depositary Share for an aggregate of \$7.1 million in cash and 374,185 shares of common stock. After consummation of the settlement, 185,088 Depositary Shares remain outstanding and Frederick Doppelt will resign from his position as a director of Perini.

**6 Provision For Income Taxes**

The provision for income taxes reflects a lower-than-normal tax rate for the nine months ended September 30, 2004 due to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations.

**7 Earnings per Common Share**

Basic earnings per common share was computed by dividing net income less dividends accrued on the \$21.25 Preferred Stock during the period (see Note 8) by the weighted average number of common shares outstanding. Diluted earnings per common share was similarly computed after giving consideration to the dilutive effect of stock options, warrants and restricted stock units outstanding on the weighted average number of common shares outstanding.

There were no options or stock purchase warrants whose exercise price exceeded the average market price of the Common Stock at September 30, 2005 and 2004. The effect of the assumed conversion of the Company's outstanding \$21.25 Preferred Stock into Common Stock was antidilutive for all periods presented.

**8 Dividends**

**(a) Common Stock**

There were no cash dividends declared or paid on the Company's outstanding Common Stock during the periods presented in the consolidated condensed financial statements included herein.

**(b) \$21.25 Preferred Stock**

The covenants of the Company's prior credit agreements required the Company to suspend the payment of quarterly dividends on its \$21.25 Preferred Stock until certain financial criteria were met. While quarterly dividends on the \$21.25 Preferred Stock have not been paid since 1995, they have been fully accrued due to the cumulative feature of the \$21.25 Preferred Stock. Accordingly, the aggregate amount of dividends in arrears at September 30, 2005 is approximately \$11.9 million, which represents approximately \$212.50 per share of \$21.25 Preferred Stock or approximately \$21.25 per Depositary Share. Based on the terms of the settlement with holders of the Company's \$2.125 Depositary Shares (see Notes 5(f) and 11(c)), approximately \$5.1 million of accrued dividends are included in Total Current Liabilities and the remaining \$6.8 million of accrued dividends are included in Other Long-term Liabilities in the Consolidated Condensed Balance Sheets as of September 30, 2005. Under the terms of the \$21.25 Preferred Stock, the holders of Depositary Shares are entitled to elect two additional Directors when dividends have been deferred for more than six quarters, and they did so at each of the last eight annual meetings of stockholders.

---

F-14

**Table of Contents****Perini Corporation and Subsidiaries****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)****9 Business Segments**

The following tables set forth certain business segment information relating to the Company's operations for the nine month and three month periods ended September 30, 2005 and 2004 (in thousands):

**Nine months ended September 30, 2005**

	Reportable Segments					Corporate	Consolidated Total
	Building	Civil	Management Services	Totals			
Revenues	\$ 719,415	\$ 191,956	\$ 218,880	\$ 1,130,251	\$	\$	\$ 1,130,251
Income from Construction Operations	\$ 17,595	\$ 8,014	\$ 15,829	\$ 41,438	\$ (10,209)	*	\$ 31,229
Assets	\$ 235,391	\$ 279,029	\$ 39,817	\$ 554,237	\$ 63,776	**	\$ 618,013

**Nine months ended September 30, 2004**

	Reportable Segments					Corporate	Consolidated Total
	Building	Civil	Management Services	Totals			
Revenues	\$ 1,008,112	\$ 110,470	\$ 325,273	\$ 1,443,855	\$	\$	\$ 1,443,855
Income from Construction Operations	\$ 21,670	\$ 2,081	\$ 22,720	\$ 46,471	\$ (7,299)	*	\$ 39,172
Assets	\$ 291,547	\$ 228,139	\$ 47,160	\$ 566,846	\$ 87,371	**	\$ 654,217

**Three months ended September 30, 2005**

	Reportable Segments					Corporate	Consolidated Total
	Building	Civil	Management Services	Totals			
Revenues	\$ 246,976	\$ 77,860	\$ 55,478	\$ 380,314	\$	\$	\$ 380,314
Income from Construction Operations	\$ 6,661	\$ 3,450	\$ 3,686	\$ 13,797	\$ (3,635)	*	\$ 10,162

**Three months ended September 30, 2004**

	Reportable Segments					Corporate	Consolidated Total
	Building	Civil	Management Services	Totals			

Edgar Filing: PERINI CORP - Form 424B3

Revenues	\$ 346,602	\$ 46,665	\$ 74,476	\$ 467,743	\$	\$ 467,743
Income from Construction Operations	\$ 6,988	\$ 852	\$ 5,653	\$ 13,493	\$ (2,772) *	\$ 10,721

\* In all periods, consists of corporate general and administrative expenses.

\*\* In all periods, corporate assets consist principally of cash and cash equivalents, net deferred tax asset, land held for sale and other investments available for general corporate purposes.

F-15



**Table of Contents****Perini Corporation and Subsidiaries****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)****10 Employee Pension Plans**

The Company has a defined benefit pension plan that covers its executive, professional, administrative and clerical employees, subject to certain specified service requirements. The Company also has an unfunded supplemental retirement plan for certain employees whose benefits under the defined benefit plan are reduced because of compensation limitations under federal tax laws. In accordance with SFAS No. 132R, *Employers' Disclosures About Pensions and Other Post-Retirement Benefits*, the pension disclosure presented below includes aggregated amounts for both of the Company's plans. The following table sets forth the net pension cost by component for the three month and nine month periods ended September 30, 2005 and 2004 (in thousands):

	Three Months		Nine Months	
	Ended Sept. 30,		Ended Sept. 30,	
	2005	2004	2005	2004
Service cost - benefits earned during the period*	\$	\$ 174	\$	\$ 1,245
Interest cost on projected benefit obligation	997	1,012	3,139	3,404
Expected return on plan assets	(1,175)	(1,032)	(3,099)	(2,967)
Amortization of prior service costs		(7)		11
Recognized actuarial loss	355	10	1,245	935
Net periodic pension cost	\$ 177	\$ 157	\$ 1,285	\$ 2,628
Effect of curtailment*				247
Total Pension Cost	\$ 177	\$ 157	\$ 1,285	\$ 2,875

On April 1, 2005, the Company made a \$9.0 million contribution to its defined benefit pension plan and does not expect to make further contributions to the pension plan in 2005.

\* Effective June 1, 2004, all benefit accruals under the Company's pension plan were frozen; however, the current vested benefit will be preserved. In accordance with SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, a one-time charge of \$0.2 million was recorded in 2004.

**11 Subsequent Events****(a) Acquisition of Rudolph & Sletten, Inc.**

On October 3, 2005, the Company completed the acquisition of Rudolph & Sletten, Inc., a privately held construction and construction management company, for approximately \$53 million in cash. Based in Redwood City, California, and covering the major California construction markets of Los Angeles, Silicon Valley, San Francisco and Sacramento, Rudolph & Sletten is an established building contractor and construction management company specializing in corporate campuses and healthcare, biotech, pharmaceutical and high-tech projects. Rudolph & Sletten will be included in the Company's consolidated results of operations and financial position beginning in the fourth quarter of 2005.

**(b) Amended and Restated Credit Agreement**

On October 14, 2005, the Company entered into an Amended and Restated Credit Agreement with Bank of America, N.A. and TD Banknorth (the Amended Agreement). The Amended Agreement amends

---

F-16

---

**Table of Contents**

**Perini Corporation and Subsidiaries**

---

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

and restates in its entirety a previously existing credit agreement dated as of January 23, 2002, as amended through March 31, 2005 (the Existing Agreement ).

The Amended Agreement provides for a secured revolving credit facility (the Revolving Facility ) of up to \$50 million, unchanged from the Existing Agreement. The Amended Agreement also provides for an increase in the aggregate amount of letters of credit that may be issued under the agreement from \$7.5 million to \$15 million. Outstanding letters of credit reduce availability under the Revolving Facility on a dollar-for-dollar basis. The termination date of the Revolving Facility was extended from June 30, 2007 to June 30, 2008.

In addition, the Amended Agreement provides for a new \$30 million secured term loan (the Term Loan ), which was used to refinance a portion of the purchase price for the Rudolph and Sletten acquisition. The new Term Loan amortizes in equal quarterly principal payments of \$1.5 million commencing December 31, 2005 and continuing through October 14, 2010.

At the Company's option, borrowings outstanding under the Amended Agreement bear interest at a fluctuating rate equal to (a) the adjusted LIBOR rate, as defined, plus 200 basis points or (b) the prime rate, as defined.

Similar to the Existing Agreement, the Amended Agreement requires the Company, among other things, to meet certain financial covenants, including maintaining minimum tangible net worth levels, fixed charge coverage and operating profit levels as well as a minimum working capital ratio. The Amended Agreement also includes operational covenants customary for facilities of this type, including restrictions on incurring additional indebtedness without the consent of the lenders, other than for insurance premiums and construction equipment, as well as limitations on liens, investments, restricted payments, mergers and the purchase and sale of assets outside of the normal course of business. Similar to the Existing Agreement, the Company's obligations under the Amended Agreement are guaranteed by substantially all of the Company's current and future subsidiaries, and secured by substantially all of the Company's and its subsidiaries' assets, including a pledge of all of the capital stock of the subsidiaries.

**(c) Settlement of Preferred Stock Class Action Lawsuit**

On September 28, 2005, the Company announced that the United States District Court for the District of Massachusetts approved the previously announced settlement of the class action lawsuit filed by holders of our \$2.125 Depositary Convertible Exchangeable Preferred Shares (the Depositary Shares ). The settlement and the number of Depositary Shares participating in the settlement became final on October 24, 2005. Under the terms of the settlement, effective November 2, 2005, the Company purchased all of the 374,185 participating Depositary Shares that were submitted for \$19.00 in cash and one share of the Company's common stock for each Depositary Share for an aggregate of \$7.1 million in cash and 374,185 shares of common stock.



**Table of Contents**

**10,341,909 Shares**

**Common Stock**

---

The shares of common stock are being sold by the selling stockholders listed on page 63 of this prospectus. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol PCR. The last reported sale price on March 11, 2005, was \$14.64 per share.

The selling stockholders may sell the shares of common stock described in this prospectus in a number of different ways and at varying prices. See Plan of Distribution beginning on page 73 for more information about how a selling stockholder may sell its shares of common stock.

**Investing in our common stock involves risks. See Risk Factors on page 5.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 15, 2005.

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>PROSPECTUS SUMMARY</u></b>	<b>1</b>
<b><u>RISK FACTORS</u></b>	<b>5</b>
<b><u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u></b>	<b>15</b>
<b><u>USE OF PROCEEDS</u></b>	<b>15</b>
<b><u>DIVIDEND POLICY</u></b>	<b>15</b>
<b><u>MARKET PRICE OF OUR COMMON STOCK</u></b>	<b>16</b>
<b><u>CAPITALIZATION</u></b>	<b>17</b>
<b><u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA</u></b>	<b>18</b>
<b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	<b>20</b>
<b><u>BUSINESS</u></b>	<b>36</b>
<b><u>MANAGEMENT</u></b>	<b>51</b>
<b><u>CERTAIN TRANSACTIONS</u></b>	<b>60</b>
<b><u>SELLING STOCKHOLDERS</u></b>	<b>63</b>
<b><u>PRINCIPAL STOCKHOLDERS</u></b>	<b>65</b>
<b><u>DESCRIPTION OF CAPITAL STOCK</u></b>	<b>67</b>
<b><u>PLAN OF DISTRIBUTION</u></b>	<b>73</b>
<b><u>LEGAL MATTERS</u></b>	<b>75</b>
<b><u>EXPERTS</u></b>	<b>75</b>
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	<b>75</b>
<b><u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u></b>	<b>F-1</b>

---

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

**Table of Contents**

**PROSPECTUS SUMMARY**

*The following summary contains information about our business. It does not contain all of the information that you need to consider in making an investment decision. You should read this entire prospectus carefully, including the information under Risk Factors and our consolidated financial statements and the related notes included elsewhere in this prospectus. In this prospectus, unless the context requires otherwise,*

*Perini, we, us and our refer to Perini Corporation, a Massachusetts corporation, and our subsidiaries, including the operations of businesses we acquired prior to the date of acquisition.*

**Our Company**

We are a construction services company offering diversified general contracting, construction management and design-build services to private clients and public agencies throughout the world. We have provided construction services since 1894 and offer general contracting, preconstruction planning and comprehensive project management services, including the planning and scheduling of the manpower, equipment, materials and subcontractors required for a project. We also offer self-performed construction services including site work, concrete forming and placement and steel erection. Our common stock is currently listed on the New York Stock Exchange under the symbol PCR. We are a Massachusetts corporation. Our principal office is located at 73 Mt. Wayte Avenue, Framingham, Massachusetts 01701 and our telephone number is (508) 628-2000. Our website address is [www.perini.com](http://www.perini.com). We do not incorporate the information on, or accessible through, our website into this prospectus, and you should not consider it part of this prospectus.

Our business is conducted through three primary segments: building, civil, and management services. Our building segment is comprised of Perini Building Company and James A. Cummings, Inc. and focuses on large, complex projects in the hospitality and gaming, sports and entertainment, educational, transportation and healthcare markets. Our civil segment is involved in public works construction primarily in the northeastern United States, including the repair, replacement and reconstruction of public infrastructure such as highways, bridges and mass transit systems. Our management services segment provides diversified construction, design-build and maintenance services to the U.S. military and government agencies as well as power producers, surety companies and multi-national corporations.

**Table of Contents**

**The Offering**

Common stock offered by the selling stockholders 10,341,909 shares

Common stock outstanding before and after this offering 25,307,928 shares

Dividend policy We have not paid any cash dividends on our common stock since 1990 and currently do not expect to pay dividends or make any other distributions on such stock in the immediate future.

Use of proceeds We will not receive any proceeds from the sale of common stock by the selling stockholders.

New York Stock Exchange Symbol PCR

All of the shares offered by this prospectus are being offered by the selling stockholders.

The number of shares of common stock outstanding before and after this offering is based on the number of shares outstanding as of February 28, 2005 and excludes:

684,500 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price per share of \$4.52;

195,634 shares of common stock reserved for future awards under our Special Equity Incentive Plan;

300,000 shares of common stock reserved for outstanding restricted stock awards at a weighted average fair value per share of \$15.62 and 700,000 shares of common stock reserved for future awards under our 2004 Stock Option and Incentive Plan;

370,379 shares of common stock reserved for issuance upon conversion of our \$21.25 Preferred Stock at a conversion price of \$377.50 per share (or \$37.75 per Depositary Share);

86,688 shares of common stock reserved for issuance upon exercise of outstanding warrants at an exercise price per share of \$8.30, subject to anti-dilution adjustment in the event of certain transactions and other corporate events; and

up to 559,273 shares of common stock that may be issued in connection with the settlement of the \$21.25 Preferred Stock class action lawsuit if such settlement is approved by the court.



**Table of Contents****Summary Consolidated Financial Data**

The following summary consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and Selected Historical Consolidated Financial Data and our consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated financial data for the years ended December 31, 2004, 2003 and 2002, and as of December 31, 2004 and 2003, are derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data for the years ended December 31, 2001 and 2000 and as of December 31, 2002, 2001 and 2000 are derived from our audited financial statements not included in this prospectus. Backlog and new business awarded are not measures defined in accounting principles generally accepted in the United States of America and have not been derived from our consolidated financial statements. The historical results are not necessarily indicative of our future results of operations or financial performance.

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in thousands, except per share data)				
<b>Operating Summary:</b>					
Revenues	\$ 1,842,315	\$ 1,374,103	\$ 1,085,041	\$ 1,553,396	\$ 1,105,660
Cost Of Operations	1,748,933	1,303,851	1,026,391	1,495,834	1,053,328
Gross Profit	93,382	70,252	58,650	57,562	52,332
G&A Expense	43,049	39,762	32,770	28,061	24,977
Income From Construction Operations	50,333	30,490	25,880	29,501	27,355
Other (Income) Expense, Net	4,703	(1,435)	520	227	(949)
Interest Expense	704	1,003	1,485	2,006	3,966
Income Before Income Taxes	44,926	30,922	23,875	27,268	24,338
(Provision) Credit For Income Taxes	(8,919)	13,096	(801)	(850)	43
<b>Net Income</b>	<b>\$ 36,007</b>	<b>\$ 44,018</b>	<b>\$ 23,074</b>	<b>\$ 26,418</b>	<b>\$ 24,381</b>
Income Available For Common Stockholders (1)	\$ 34,819	\$ 49,619	\$ 20,949	\$ 24,293	\$ 7,299
Per Share Of Common Stock:					
Basic Earnings	\$ 1.47	\$ 2.18	\$ 0.92	\$ 1.07	\$ 0.39
Diluted Earnings	\$ 1.39	\$ 2.10	\$ 0.91	\$ 1.04	\$ 0.39
Weighted Average Common Shares Outstanding:					
Basic	23,724	22,763	22,664	22,623	18,521
Diluted	25,061	23,583	22,939	23,442	18,527

**Table of Contents**

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in thousands)				
<b>Financial Position Summary:</b>					
Total Assets	\$ 654,265	\$ 565,443	\$ 402,389	\$ 501,241	\$ 487,478
Working Capital	178,029	125,397	115,908	93,369	80,477
Long-term Debt, Less Current Maturities	8,608	8,522	12,123	7,540	17,218
Stockholders' Equity	174,034	120,560	86,649	79,408	60,622
<b>Other Data:</b>					
Depreciation and Amortization	\$ 5,128	\$ 3,389	\$ 3,202	\$ 2,602	2,191
Capital Expenditures	4,486	5,399	4,510	4,528	1,793
Backlog at Year End (2)	1,151,475	1,666,464	990,175	1,213,535	1,788,731
New Business Awarded (3)	1,327,326	2,050,392	861,681	978,200	1,236,314

- (1) Income available for common stockholders includes adjustments to net income for (a) accrued and unpaid dividends on our \$21.25 Preferred Stock, or \$2.125 Depositary Shares, (b) the reversal of previously accrued and unpaid dividends in the amount of approximately \$7.3 million applicable to 440,627 of the \$2.125 Depositary Shares purchased and retired by us on June 9, 2003, (c) dividends declared and paid on our Series B Preferred Stock until its exchange for shares of common stock on March 29, 2000 and (d) the \$13.7 million assigned to the induced conversion of the Series B Preferred Stock into common stock on March 29, 2000.
- (2) A construction project is included in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. Backlog is not a measure defined in accounting principles generally accepted in the United States of America, or GAAP, and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.
- (3) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (2) above plus or minus subsequent changes to the estimated total contract price of existing contracts. Management uses new business awarded to assist in forecasting future results.

---

**Table of Contents**

**RISK FACTORS**

*You should carefully consider the following risks and all other information contained in this prospectus before purchasing our common stock. If any of the following risks occur, our business, prospects, reputation, results of operations or financial condition could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below and elsewhere in this prospectus.*

**Risks Relating to Our Business**

**We are subject to significant legal proceedings, which, if determined adversely to us, could harm our reputation, preclude us from bidding on future projects and/or have a material adverse effect on us.**

We are involved in various lawsuits. While some of these proceedings involve claims against us for significant amounts, we do not believe that these or any other pending litigation will ultimately result in a final judgment against us that would materially adversely affect us. Litigation is, however, inherently uncertain and it is not possible to predict what the final outcome will be of any legal proceeding. A final judgment against us would require us to record the related liability and fund the payment of the judgment and, if such adverse judgment is significant, it could have a material adverse effect on us.

In addition, legal proceedings resulting in judgments or findings against us may harm our reputation and prospects for future contract awards. For example, we are defendants in a civil action brought by the San Francisco City Attorney on behalf of the City and County of San Francisco and the citizens of California, in which it is alleged, among other things, that we violated various bidding practices and minority contracting regulations and committed acts of fraud. If a final judgment is determined adversely to us, it may harm our reputation among other municipalities, which could preclude us from being qualified to bid on future municipal projects.

**Our contracts require us to perform extra or change order work, which can result in disputes and adversely affect our working capital, profits and cash flows.**

Our contracts generally require us to perform extra or change order work as directed by the customer even if the customer has not agreed in advance on the scope or price of the work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project plans and specifications or, if the customer agrees that the work performed qualifies as extra work, the price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer.

Also, these unapproved change orders, contract disputes or claims result in costs being incurred by us that cannot be billed currently and therefore, are reflected as unbilled work in our balance sheet. See Note 1(d) of Notes to Consolidated Financial Statements. To the extent actual recoveries with respect to unapproved change orders, contract disputes or claims are lower than our estimates, the amount of any shortfall will reduce our revenues and the amount of unbilled work recorded on our balance sheet, and could have a material adverse effect on our working capital, results of operations and cash flows. In addition, any delay caused by the extra work may adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates. For example, we are currently, along with our joint venture

## Edgar Filing: PERINI CORP - Form 424B3

partners, pursuing a series of claims for additional contract time and compensation against the Massachusetts Highway Department for work performed by the joint venture on a portion of the Central Artery/Tunnel project in Boston, Massachusetts. During construction, the Massachusetts Highway Department ordered the joint venture to perform changes to the work and issued related direct cost changes with an estimated value, excluding time delay and inefficiency costs, in excess of \$100 million. In addition, we encountered a number of unforeseen conditions during construction that greatly increased our cost of performance.

**Table of Contents**

**Economic, political and other risks associated with our international operations involve risks not faced by our domestic competitors, which could adversely affect our revenue and earnings.**

Approximately 18% of our revenue for the year ended December 31, 2004 was derived from our work on projects located outside of the United States. We expect non-U.S. projects to continue to contribute to our revenue and earnings for the foreseeable future. Our international operations expose us to risks inherent in doing business outside the United States, including:

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

unstable economic, financial and market conditions;

potential incompatibility with foreign joint venture partners;

foreign currency controls and fluctuations;

trade restrictions;

increases in taxes; and

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

Any of these factors could harm our international operations and, consequently, our business and consolidated operating results. Specifically, failure to successfully manage international growth could result in higher operating costs than anticipated or could delay or preclude altogether our ability to generate revenues in key international markets.

**A decrease in U.S. government funding or change in government plans, particularly with respect to rebuilding Iraq and Afghanistan, as well as the risks associated with undertaking projects in these countries, could adversely affect the continuation of existing projects or the number of projects available to us in the future.**

We recently performed design-build security upgrades at United States embassies and consulates throughout the world, and we are currently engaged in significant building and infrastructure reconstruction activities in Iraq and Afghanistan. The United States federal government has approved various spending bills for the reconstruction and defense of Iraq and has allocated significant funds to the defense of United States interests around the world from the threat of terrorism. A decrease in government funding of these projects or a decision by the federal government to reduce or eliminate the use of outside contractors to perform this work would decrease the number of projects available to us and limit our ability to obtain new contracts in this area. For example, in January 2005, we received a partial stop work order relating to several partially funded task orders for work in Iraq under a contract with the U.S. Department of State while the applicable agency evaluates the feasibility of shifting a portion of the construction funds to Iraqi government agencies in order to accelerate that country's economic recovery.

## Edgar Filing: PERINI CORP - Form 424B3

In addition, our projects in Iraq, Afghanistan and other areas of political and economic instability carry with them specific security and operational risks. Intentional or unintentional acts in those countries could result in damage to our construction sites or harm to our employees and could result in our decision to withdraw our operations from the area. Also, as a result of these acts, the federal government could decide to cancel or suspend our operations in these areas.

**Increased regulation of the hospitality and gaming industry could reduce the number of future hospitality and gaming projects available, which, in turn, could adversely impact our future earnings.**

The hospitality and gaming industry is regulated extensively by federal and state regulatory bodies, including state gaming commissions, the National Indian Gaming Commission and state and federal taxing and

## **Table of Contents**

law enforcement agencies. From time to time, legislation is proposed in the legislatures of some of these jurisdictions that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the hospitality and gaming industry. Legislation of this type may be enacted in the future. The federal government has also previously considered a federal tax on casino revenues and may consider such a tax in the future. In addition, companies that operate in the hospitality and gaming industry are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. For example, a new tax law enacted in Nevada in July, 2003 increased the taxes applicable to Nevada gaming operations. Similar legislation or new hospitality and gaming regulations could deter future hospitality and gaming construction projects in jurisdictions in which we derive significant revenue. As a result, the enactment of such legislation or regulations could adversely impact our future earnings.

### **A decrease in government funding of infrastructure projects could reduce revenues within our civil construction business segment.**

Our civil construction markets are dependent on the amount of infrastructure work funded by various governmental agencies which, in turn, depends on the condition of the existing infrastructure, the need for new or expanded infrastructure and federal, state or local government spending levels. A decrease in government funding of infrastructure projects could decrease the number of civil construction projects available and limit our ability to obtain new contracts, which could reduce revenues within our civil construction segment.

### **If we are unable to accurately estimate the overall risks, revenues or costs on a contract, we may achieve a lower than anticipated profit or incur a loss on the contract.**

We generally enter into four principal types of contracts with our clients: fixed price contracts, cost plus award fee contracts, guaranteed maximum price contracts, and, to a lesser extent, construction management or design-build contracts. A significant portion of our revenues and backlog are derived from fixed price contracts. For example, approximately 20% of our revenues for the year ended December 31, 2004 were derived from fixed price contracts. Fixed price contracts require us to perform the contract for a fixed price irrespective of our actual costs. As a result, we realize a profit on these contracts only if we successfully control our costs and avoid cost overruns. Cost plus award fee contracts provide for reimbursement of the costs required to complete a project, but generally have a lower base fee and an incentive fee based on cost and/or schedule performance. If our costs exceed the revenues available under such a contract or are not allowable under the provisions of the contract, we may not receive reimbursement for these costs. Guaranteed maximum price contracts provide for a cost plus fee arrangement up to a maximum agreed-upon price. These contracts also place the risk on us for cost overruns that exceed the guaranteed maximum price. Construction management and design-build contracts are those under which we agree to manage a project for the client for an agreed upon fee, which may be fixed or may vary based upon negotiated factors. Profitability on these types of contracts is driven by changes in the scope of work or design issues, which could cause cost overruns beyond our control and limit profits on these contracts.

Cost overruns, whether due to inefficiency, faulty estimates or other factors, result in lower profit or a loss on a project. A significant number of our contracts are based in part on cost estimates that are subject to a number of assumptions. If our estimates of the overall risks, revenues or costs prove inaccurate or circumstances change, then we may incur a lower profit or a loss on the contract.

### **The percentage-of-completion method of accounting for contract revenue may result in material adjustments, which could result in a charge against our earnings.**

We recognize contract revenue using the percentage-of-completion method. Under this method, estimated contract revenue is recognized by applying the percentage of completion of the project for the period to the total estimated revenue for the contract. Estimated contract losses are recognized in full when determined. Total contract revenue and cost estimates are reviewed and revised at a minimum on a quarterly basis as the

Edgar Filing: PERINI CORP - Form 424B3

work progresses and as change orders are approved. Adjustments based upon the percentage of completion are



## **Table of Contents**

reflected in contract revenue in the period when these estimates are revised. To the extent that these adjustments result in an increase, a reduction or an elimination of previously reported contract profit, we recognize a credit or a charge against current earnings, which could be material.

### **We are subject to a number of risks as a government contractor, which could either harm our reputation, result in fines or penalties against us and/or adversely impact our financial condition.**

We are a major provider of services to government agencies and therefore are exposed to risks associated with government contracting. For example, we must comply with and are affected by laws and regulations relating to the formation, administration and performance of government contracts, such as the Federal Acquisition Regulations, the Cost Accounting Standards and Department of Defense security regulations. A violation of these laws or regulations could require us to pay fines and penalties, result in the termination of existing contracts or result in our being suspended from future government contracts. If a government agency determines that we or one of our subcontractors engaged in improper conduct, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the government, any of which could impact our future earnings or harm our reputation.

Government agencies generally can terminate or modify their contract with us at their convenience and some government contracts must be renewed annually. If a government agency terminates or fails to renew a contract, our backlog may be reduced. If a government agency terminates a contract due to our unsatisfactory performance, it could result in liability to us and harm our ability to compete for future contracts.

We have been, are and will be in the future, the subject of audits and cost reviews by contracting agencies, such as the United States Defense Contract Audit Agency, or the DCAA. These agencies review a contractor's performance and may disallow costs if the agency determines that we accounted for such costs in a manner inconsistent with Cost Accounting Standards or other regulatory and contractual requirements. Therefore, a negative audit could result in a substantial adverse adjustment to our revenues and costs, harm our reputation and result in civil and criminal penalties.

### **Our participation in construction joint ventures exposes us to liability and/or reputational harm for failures of our partners.**

We sometimes enter into joint venture arrangements with outside partners on a joint and several basis so that we can jointly bid on and execute a particular project and reduce our financial or operational risk with respect to such projects. Success on these joint projects depends in large part on whether our joint venture partners satisfy their contractual obligations. If a joint venture partner fails to perform or is financially unable to bear its portion of required capital contributions, we could be required to make additional investments and provide additional services in order to make up for our partner's shortfall. Further, if we are unable to adequately address our partner's performance issues, the client may terminate the project, which could result in legal liability to us, harm our reputation and reduce profit on a project.

### **Our pension plan is underfunded and we may be required to make significant future contributions to the plan.**

Our defined benefit pension plan is a non-contributory pension plan covering substantially all of our employees. As of December 31, 2004, our pension plan was underfunded by approximately \$32.0 million. We are required to make cash contributions to our pension plan to the extent necessary to comply with minimum funding requirements imposed by employee benefit and tax laws. The amount of any such required contributions is determined based on an annual actuarial valuation of the plan as performed by the plan's actuaries. During 2004, we voluntarily

## Edgar Filing: PERINI CORP - Form 424B3

contributed \$4.0 million in cash to our defined benefit pension plan. The amount of future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a

## **Table of Contents**

result, the amount we may elect or be required to contribute to our pension plan in the future may increase significantly. See Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Defined Benefit Retirement Plan.

**The construction services industry is highly schedule driven, and our failure to meet schedule requirements of our contracts could adversely affect our reputation and/or expose us to financial liability.**

Many of our contracts are subject to specific completion schedule requirements with liquidated damages charged to us in the event the construction schedules are not achieved. Failure to meet any such schedule requirements could cause us to suffer damage to our reputation within our industry and client base, as well as pay significant liquidated damages.

**Procurement of new project awards is very competitive and our failure to compete effectively could reduce our market share and profits.**

New project awards are often determined through either a competitive bid basis or a negotiated basis. Bids or negotiated contracts with public or private owners are generally awarded based upon price, but many times other factors, such as shorter project schedules or prior experience with the owner, result in the award of the contract. Within our industry, we compete with many national, regional and local construction firms. Some of these competitors have achieved greater market penetration than we have in the markets in which we compete, and some have greater financial and other resources than we do. As a result, we may need to accept lower contract margins or more fixed price or unit price contracts in order for us to compete against competitors that have the ability to accept awards at lower prices or have a pre-existing relationship with the owner. If we are unable to compete successfully in such markets, our relative market share and profits could be reduced.

**Economic downturns could reduce the level of consumer spending within the hospitality and gaming industry which could adversely affect demand for our services.**

Consumer spending in the hospitality and gaming industry is discretionary and may decline during economic downturns, when consumers have less disposable income. Even an uncertain economic outlook may adversely affect consumer spending in hospitality and gaming operations, as consumers may spend less in anticipation of a potential economic downturn. Decreased spending in the hospitality and gaming market could deter new projects within the industry and the expansion or renovation of existing hospitality and gaming facilities, which could impact our revenues and earnings.

**An inability to obtain bonding could limit the number of projects we are able to pursue.**

As is customary in the construction business, we often are required to provide surety bonds to secure our performance under construction contracts. Our ability to obtain surety bonds primarily depends upon our capitalization, working capital, past performance, management expertise and certain external factors, including the overall capacity of the surety market. Surety companies consider such factors in relationship to the amount of our backlog and their underwriting standards, which may change from time to time. Since 2001, the surety industry has undergone significant changes with several companies withdrawing completely from the industry or significantly reducing their bonding commitment. In addition, certain re-insurers of surety risk have limited their participation in this market. Therefore, we could be unable to obtain surety bonds, when required, which could adversely affect our future results of operations and revenues.

**Conflicts of interest may arise with respect to our Chairman and Chief Executive Officer.**

Ronald N. Tutor, our chief executive officer and chairman of our Board of Directors, is the sole shareholder and chief executive officer of Tutor-Saliba Corporation, or Tutor-Saliba, a California corporation that beneficially owns approximately 21.7% of our common stock. Mr. Tutor also devotes a substantial amount of

## **Table of Contents**

time to the business activities of Tutor-Saliba. Tutor-Saliba is engaged in the construction industry, and we have participated in joint ventures with Tutor-Saliba and expect to continue to do so. Although our joint ventures with Tutor-Saliba are discussed with our Audit Committee, transactions we enter into with Tutor-Saliba could be influenced by Mr. Tutor. As in any joint venture, we could have disagreements with Tutor-Saliba over the operation of the joint ventures or the joint ventures could be involved in disputes with third parties, where we may or may not have an identity of interest with Tutor-Saliba. When such situations arise, we may feel constrained in aggressively pursuing all options available to us because of Mr. Tutor's importance to us as our Chief Executive Officer and Chairman and a significant shareholder. If we face such a situation and elect to pursue options against Tutor-Saliba, it is possible that Mr. Tutor or we could terminate his management relationship with us, which could harm our reputation and impact our ability to procure future projects.

### **We could incur significant costs as a result of liability under environmental laws.**

Our operations are subject to environmental laws and regulations governing, among other things, the discharge of pollutants to air and water, the handling, storage and disposal of solid or hazardous materials or wastes and the remediation of contamination, sometimes associated with leaks or releases of hazardous substances. For example, we own, lease, or have used in our construction, real estate and environmental remediation operations property upon which solid or hazardous wastes may have been disposed of or released. Any release of such materials or wastes by us or by third parties who operated on these properties may result in liability for investigation or remediation costs. In addition, violations of these environmental laws and regulations could subject us and our management to fines, civil and criminal penalties, clean-up costs and third party property damage or personal injury claims.

Various federal, state and local environmental laws and regulations may impose liability for the entire cost of investigation and clean-up of hazardous or toxic substances. These laws may impose liability without regard to ownership at the time of the contamination or whether or not we caused the presence of contaminants.

### **If we are unable to attract and retain key personnel, our reputation may be harmed and our future earnings may be negatively impacted.**

Our business substantially depends on the continued service of key members of our management, particularly Ronald N. Tutor, Robert Band, Craig W. Shaw, Zohrab B. Marashlian and Michael E. Ciskey, who, collectively, have an average of 30 years in the construction industry and 24 years with us. The loss of the services of any of our key senior management could have a material adverse effect on us. Our future success will also depend on our ability to attract and retain highly skilled personnel, such as engineering, project management and senior management professionals. Competition for these employees is intense, and we could experience difficulty from time to time in hiring and retaining the personnel necessary to support our business. If we do not succeed in retaining our current employees and attracting new high quality employees, our reputation may be harmed and our future earnings may be negatively impacted.

### **Work stoppages and other labor problems could adversely affect portions of our business, financial position, results of operations and cash flows.**

We are a signatory to numerous local and regional collective bargaining agreements, both directly and through trade associations. Future agreements reached in collective bargaining could increase our operating expenses and reduce our profits as a result of increased wages and benefits. If the industry were unable to negotiate with any of the unions, it could result in strikes, work stoppages or increased operating costs as a result of higher than anticipated wages or benefits. If the unionized workers engage in a strike or other work stoppage, or other employees become unionized, we could experience a disruption of our operations and higher ongoing labor costs, which could adversely affect portions of

our business, financial position, results of operations and cash flows.

**Table of Contents**

**We are subject to restrictive covenants under our credit facility that could limit our flexibility in managing the business.**

Our credit facility imposes operating and financial restrictions on us. These restrictions include, among other things, limitations on our ability to:

create liens or other encumbrances;

enter into certain types of transactions with our affiliates;

make certain capital expenditures;

make investments, loans or other guarantees;

sell or otherwise dispose of a portion of our assets; or

merge or consolidate with another entity.

In addition, our credit facility prohibits us from incurring debt, other than debt incurred for financing our corporate headquarters, insurance premiums and construction equipment, from other sources without the consent of our lenders. The amount available to us under our credit facility at December 31, 2004 was \$47.2 million.

Our credit facility contains financial covenants that require us to maintain minimum tangible net worth, fixed charge coverage and operating profit levels as well as a minimum working capital ratio. Our ability to borrow funds for any purpose will depend on our satisfying these tests.

If we are unable to meet the terms of the financial covenants or fail to comply with any of the other restrictions contained in our credit facility, an event of default could occur. An event of default, if not waived by our lenders, could result in the acceleration of any outstanding indebtedness, causing such debt to become immediately due and payable. If such an acceleration occurs, we may not be able to repay such indebtedness on a timely basis. As our credit facility is secured by substantially all of our assets, acceleration of this debt could result in foreclosure of those assets. In the event of a foreclosure, we would be unable to conduct our business and may be forced to discontinue ongoing operations.

**We may have difficulty raising needed capital in the future, which could limit our available working capital and our ability to make acquisitions or future investments.**

We may require additional financing in order to make future investments, make acquisitions or provide needed additional working capital. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as conditions in our business and our operating results; such factors may impact our efforts to arrange additional financing on terms satisfactory to us. We have pledged

## Edgar Filing: PERINI CORP - Form 424B3

substantially all of our assets as collateral in connection with our credit facility. As a result, we may have difficulty obtaining additional financing in the future if such financing requires us to pledge our assets as collateral. If additional financing is obtained by the issuance of additional shares of common stock, control of Perini may change and stockholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to make future investments, take advantage of acquisition or other opportunities, or otherwise respond to competitive challenges.

### **Timing of the award and performance of a new contract would have an adverse effect on our operating results.**

At any point in time, a substantial portion of our revenues is directly or indirectly derived from a limited number of large construction projects. It is generally very difficult to predict whether and when we will receive such awards as these contracts frequently involve a lengthy and complex bidding and selection process which is affected by a number of factors, such as market conditions, financing arrangements and governmental approvals. Because a significant portion of our revenues is generated from large projects, our results of operations and cash flows can fluctuate from quarter to quarter depending on the timing of our new contract awards.



## **Table of Contents**

In addition, timing of the revenues, earnings and cash flows from our projects can be delayed by a number of factors, including weather conditions, delays in receiving material and equipment from vendors and changes in the scope of work to be performed. Such delays, if they occur, could have an adverse effect on our operating results for a particular period.

### **We may not be able to fully realize the revenue value reported in our backlog.**

As of December 31, 2004, our backlog was approximately \$1.15 billion. We include a construction project in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. The revenue projected in our backlog may not be realized or, if realized, may not result in profits. For example, if a project reflected in our backlog is terminated, suspended or reduced in scope, it would result in a reduction to our backlog which would reduce, potentially to a material extent, the revenue and profit we actually receive from contracts in backlog. If a client cancels a project, we may be reimbursed for certain costs but typically have no contractual right to the total revenues reflected in our backlog. Significant cancellations or delays of projects in our backlog could have a material adverse effect on our cash flows and profits.

### **We have not paid dividends on our \$21.25 Preferred Stock in several years and are currently in litigation with certain of our preferred stockholders.**

The outstanding shares of \$21.25 Preferred Stock are represented by Depositary Shares, each of which represents a one-tenth fractional interest in the respective share of \$21.25 Preferred Stock (including dividend, voting, redemption and liquidation rights and preferences). Under the terms of our \$21.25 Preferred Stock, the holders of our \$21.25 Preferred Stock are entitled to receive an annual cash dividend of \$21.25 per share (or \$2.125 per Depositary Share) when and as declared by our Board of Directors out of funds legally available for such purposes. We have not paid dividends on our \$21.25 Preferred Stock (and therefore the Depositary Shares) since 1995, though they have been fully accrued due to the cumulative feature of the \$21.25 Preferred Stock. The holders of our \$21.25 Preferred Stock have the right to elect two directors to our board in the event that dividends are in arrears for at least six quarters, and the holders of our Depositary Shares have done so at each of our last seven annual meetings of stockholders.

We are currently involved in a class action lawsuit brought by holders of our Depositary Shares. In November 2004, the parties reached an agreement to settle the class action lawsuit. Under the terms of the settlement, we would purchase all of the Depositary Shares submitted in the settlement for consideration of \$19.00 per share in cash and one share of our common stock. As of December 31, 2004, there were 559,273 Depositary Shares outstanding. In the event that fewer than 200,000 Depositary Shares are submitted in the settlement, we may terminate the settlement agreement and the parties will revert to their previous positions in the litigation. Although the named plaintiffs have agreed to support the proposed settlement, it remains subject to approval by the Court.

In the event that less than all of the outstanding Depositary Shares are submitted in the settlement, dividends will continue to accrue on such Depositary Shares and the holders of such Depositary Shares will continue to have the right to elect two directors to our board. If less than 200,000 Depositary Shares are submitted and we terminate the settlement or if the Court rejects the proposed terms of the settlement, the class action lawsuit would proceed and, if such litigation results in a significant adverse judgment against us, it could have a material adverse effect on our cash flows and profits.

### **Our acquisition strategy involves a number of risks, the realization of which could adversely impact our future revenues and the revenues of the businesses that we acquire.**

As a part of our growth strategy, we plan to pursue selective strategic acquisitions of businesses. This strategy involves risks, including diversion of management's attention, potential loss of key employees of acquired businesses and difficulties in integrating operations and systems. We cannot be certain that we will be

## **Table of Contents**

able to locate suitable acquisitions or consummate any such transactions on terms and conditions acceptable to us or that such transactions will be successful. An inability to successfully integrate acquired businesses into our operations could result in significant losses for us.

### **Risks Relating to Our Common Stock**

**The resale of the shares of common stock by the selling stockholders will result in a substantial amount of previously unregistered shares of our common stock being registered, which may depress the market price of our common stock.**

As of December 31, 2004, the number of shares of our outstanding common stock freely tradeable on the New York Stock Exchange and not owned by our officers, directors, or affiliates was approximately 13.6 million.

Registration of the resale of the shares of common stock covered by this prospectus will permit their sale into the public market immediately. We cannot predict when the selling stockholders may sell their shares or in what volumes or if at all. However, the market price of our common stock could decline significantly if the selling stockholders sell a large number of shares into the public market or if the market believes that these sales may occur.

We may also issue our common stock from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of shares of our common stock that we may issue could in turn be significant. In addition, we may also grant registration rights covering those shares in connection with any such acquisitions and investments.

**Limited trading volume of our common stock may contribute to its price volatility.**

The average daily trading volume during 2004 for our common stock as reported by the New York Stock Exchange was approximately 149,000 shares. Even if we achieve a wider dissemination by means of the shares offered hereto, we are uncertain as to whether a more active trading market in our common stock will develop. As a result, relatively small trades may have a significant impact on the price of our common stock.

**Our stock price has been and may continue to be volatile and may result in substantial losses for investors.**

The market price of our common stock has been, and is likely to continue to be, volatile. Since January 1, 2004, the market price for our common stock has been as high as \$19.99 per share and as low as \$8.80 per share. Additionally, the stock market in general has been highly volatile since 2000. This volatility in stock price often has been unrelated to our operating performance.

In addition, the trading price of our common stock could be subject to wide fluctuations in response to:

## Edgar Filing: PERINI CORP - Form 424B3

our prospects as perceived by others;

variations in our operating results and our achievement of key business targets;

changes in securities analysts' recommendations or earnings estimates;

differences between our reported results and those expected by investors and securities analysts;

announcements of new contracts or service offerings by us or our competitors;

market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors; and

general economic or stock market conditions unrelated to our operating performance.

Fluctuations in our stock price as a result of any of the foregoing factors may result in substantial losses for investors.

**Table of Contents**

**Fluctuations in our quarterly revenues and operating results may lead to reduced prices for our stock.**

Because our operating results are primarily generated from a limited number of significant active construction projects, operating results in any given fiscal quarter can vary depending on the timing of progress achieved and changes in the estimated profitability of the projects being reported. Progress on projects in certain areas may also be delayed by weather conditions. Such delays, if they occur, may result in inconsistent quarterly operating results due to more or less progress than anticipated being achieved on certain projects, which may in turn lead to reduced prices for our stock.

**Ownership of our common stock is concentrated among a few stockholders who could act in a way that favors their interests to the detriment of our interests and those of other stockholders.**

As of December 31, 2004, the percentage of shares of our common stock owned by our executive officers, directors and 5% stockholders is approximately 46%. These stockholders have the ability to significantly influence the outcome of the election of most of our directors, and the approval of any action requiring majority approval of our common stockholders, including certain amendments to our charter. In addition, without the consent of these stockholders, we may not be able to enter into transactions that could be beneficial to us or our other stockholders.

**Provisions of Massachusetts law and of our charter and bylaws may make a takeover of us more difficult, which could impede the ability of our stockholders to benefit from a change in control or to change our management and Board of Directors.**

Provisions in our restated articles of organization and bylaws and in the Massachusetts corporate law may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt which is opposed by our management and Board of Directors. Public stockholders who might desire to participate in such a transaction may not have an opportunity to do so. Our bylaws provide for a staggered Board of Directors which makes it difficult for stockholders to change the composition of the Board of Directors in any one year. Our Board of Directors has the authority to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to effect a change in control or takeover of Perini. Also, we have adopted a rights plan that limits the ability of any person to acquire more than 10% of our common stock, except in limited circumstances. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or to change our management and Board of Directors. See Description of Capital Stock.

**Table of Contents**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

The statements contained in this prospectus, including under the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and other sections of this prospectus that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including without limitation, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading "Risk Factors." We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as may be required under applicable securities laws.

**USE OF PROCEEDS**

The proceeds from the sale of shares of common stock offered pursuant to this prospectus are solely for the accounts of the selling stockholders. We will not receive any proceeds from the sale of shares by the selling stockholders.

**DIVIDEND POLICY**

We have not paid any cash dividends on our common stock since 1990. For the foreseeable future, we intend to retain any earnings in our business and we do not anticipate paying any cash dividends. In addition, under the terms of our preferred stock, we cannot pay dividends on our common stock until all accrued dividends on our preferred stock have been paid. Whether or not to declare any dividends will be at the discretion of our Board of Directors, considering then existing conditions, including our financial condition and results of operations, capital requirements, bonding prospects, contractual restrictions, business prospects and other factors that our Board of Directors considers relevant.

**Table of Contents****MARKET PRICE OF OUR COMMON STOCK**

Our common stock trades on the New York Stock Exchange under the symbol PCR. The quarterly market high and low sales prices for our common stock for 2005 (through March 11, 2005), 2004 and 2003 are summarized below:

	<u>High</u>	<u>Low</u>
Year Ending December 31, 2003		
First Quarter	\$ 4.70	\$ 3.62
Second Quarter	9.05	3.80
Third Quarter	8.99	6.26
Fourth Quarter	10.10	6.95
Year Ending December 31, 2004		
First Quarter	19.99	8.80
Second Quarter	17.30	9.18
Third Quarter	15.99	10.10
Fourth Quarter	17.04	13.28
Year ending December 31, 2005		
First Quarter (through March 11, 2005)	17.92	14.40

On March 11, 2005, the closing sale price of our common stock as reported on the New York Stock Exchange was \$14.64 per share. At February 28, 2005, there were 967 holders of record of our common stock, based on the stockholders list maintained by our transfer agent.

**Table of Contents****CAPITALIZATION**

The table below sets forth our consolidated short-term debt and capitalization as of December 31, 2004 (in thousands, except share data). We have not provided an adjusted capitalization table because we will not receive any proceeds from the sale of shares by the selling stockholders. You should read the following information in conjunction with our consolidated financial statements and related notes and the information provided under the captions "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" which are included elsewhere in this prospectus.

Short-term debt:	
Notes payable to banks	\$
Current maturities of long-term debt	759
	<hr/>
Total short-term debt	\$ 759
	<hr/>
Long-term debt:	
Mortgages on real estate	\$ 8,165
Revolving credit loans (1)	
Other indebtedness	443
	<hr/>
Total long-term debt	8,608
	<hr/>
Stockholders' equity:	
Preferred stock, \$1.00 par value	
Authorized 1,000,000 shares	
Designated, issued and outstanding 55,927 shares, aggregate liquidation preference of \$13,982	56
Series A junior participating preferred stock, \$1.00 par value	
Designated 200,000 shares	
Issued none	
Stock purchase warrants	965
Common stock, \$1.00 par value	
Authorized 40,000,000 shares (2)	
Issued 25,232,800 shares (2)	25,233
Additional paid-in capital (2)	110,058
Retained earnings	64,826
Accumulated other comprehensive loss	(27,104)
	<hr/>
Total stockholders' equity	174,034
	<hr/>
Total capitalization	\$ 182,642
	<hr/>

- (1) The revolving credit facility provides for revolving loans up to a maximum of \$50 million to June 20, 2007. The weighted average interest rate at December 31, 2004 was 4.0%.
- (2) As of December 31, 2004, we had 25,232,800 shares outstanding. As of December 31, 2004, options to purchase 734,500 shares of our common stock were outstanding; 195,634 shares were available for future awards under our Special Equity Incentive Plan and 1,000,000 shares were available for awards under our 2004 Stock Option and Incentive Plan. As of December 31, 2004, we had 370,379 shares of common stock reserved for issuance upon conversion of our \$21.25 Preferred Stock at a conversion price of \$377.50 per share (or \$37.75 per Depositary Share) and 181,440 shares of common stock reserved for issuance upon exercise of stock purchase warrants at an exercise price of \$8.30 per share.





**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The selected historical consolidated financial data shown below for the five-year period ended December 31, 2004, has been derived from our consolidated financial statements audited by Deloitte & Touche LLP, our current independent registered public accounting firm.

Backlog and new business awarded are not measures defined in accounting principles generally accepted in the United States of America and have not been derived from our consolidated financial statements. The selected historical consolidated financial data should be read in conjunction with our consolidated financial statements and related notes, Capitalization and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in thousands, except per share data)				
<b>Operating Summary:</b>					
Revenues	\$ 1,842,315	\$ 1,374,103	\$ 1,085,041	\$ 1,553,396	\$ 1,105,660
Cost Of Operations	1,748,933	1,303,851	1,026,391	1,495,834	1,053,328
Gross Profit	93,382	70,252	58,650	57,562	52,332
G&A Expense	43,049	39,762	32,770	28,061	24,977
Income From Construction Operations	50,333	30,490	25,880	29,501	27,355
Other (Income) Expense, Net	4,703	(1,435)	520	227	(949)
Interest Expense	704	1,003	1,485	2,006	3,966
Income Before Income Taxes	44,926	30,922	23,875	27,268	24,338
(Provision) Credit For Income Taxes	(8,919)	13,096	(801)	(850)	43
<b>Net Income</b>	<b>\$ 36,007</b>	<b>\$ 44,018</b>	<b>\$ 23,074</b>	<b>\$ 26,418</b>	<b>\$ 24,381</b>
Income Available For Common Stockholders (1)	\$ 34,819	\$ 49,619	\$ 20,949	\$ 24,293	\$ 7,299
Per Share Of Common Stock:					
Basic Earnings	\$ 1.47	\$ 2.18	\$ 0.92	\$ 1.07	\$ 0.39
Diluted Earnings	\$ 1.39	\$ 2.10	\$ 0.91	\$ 1.04	\$ 0.39
Weighted Average Common Shares Outstanding:					
Basic	23,724	22,763	22,664	22,623	18,521
Diluted	25,061	23,583	22,939	23,442	18,527
<b>Financial Position Summary:</b>					
Total Assets	\$ 654,265	\$ 565,443	\$ 402,389	\$ 501,241	\$ 487,478
Working Capital	178,029	125,397	115,908	93,369	80,477
Long-term Debt, Less Current Maturities	8,608	8,522	12,123	7,540	17,218
Stockholders' Equity	174,034	120,560	86,649	79,408	60,622

**Other Data:**

Edgar Filing: PERINI CORP - Form 424B3

Depreciation and Amortization	\$ 5,128	\$ 3,389	\$ 3,202	\$ 2,602	2,191
Capital Expenditures	4,486	5,399	4,510	4,528	1,793
Backlog at Year End (2)	1,151,475	1,666,464	990,175	1,213,535	1,788,731
New Business Awarded (3)	1,327,326	2,050,392	861,681	978,200	1,236,314

**Table of Contents**

---

- (1) Income available for common stockholders includes adjustments to net income for (a) accrued and unpaid dividends on our \$21.25 Preferred Stock, or \$2.125 Depositary Shares, (b) the reversal of previously accrued and unpaid dividends in the amount of approximately \$7.3 million applicable to 440,627 of the \$2.125 Depositary Shares purchased and retired by us on June 9, 2003, (c) dividends declared and paid on our Series B Preferred Stock until its exchange for shares of common stock on March 29, 2000 and (d) the \$13.7 million assigned to the induced conversion of the Series B Preferred Stock into common stock on March 29, 2000.
- (2) A construction project is included in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. Backlog is not a measure defined in accounting principles generally accepted in the United States of America, or GAAP, and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.
- (3) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (2) above plus or minus subsequent changes to the estimated total contract price of existing contracts. Management uses new business awarded to assist in forecasting future results.

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

**Overview**

We were incorporated in 1918 as a successor to businesses which had been engaged in providing construction services since 1894. We provide diversified general contracting, construction management and design-build services to private clients and public agencies throughout the world. Our construction business is now conducted through three basic segments or operations: building, civil and management services. The general contracting and management services that we provide consist of general contracting, preconstruction planning and comprehensive project management services, including planning and scheduling the manpower, equipment, materials and subcontractors required for the timely completion of a project in accordance with the terms and specifications contained in a construction contract. We also offer self-performed construction services including site work, concrete forming and placement and steel erection. We provide these services by using traditional general contracting arrangements, such as fixed price, guaranteed maximum price and cost plus fee contracts and, to a lesser extent, construction management or design-build contracting arrangements. In the normal conduct of our business, we enter into partnership arrangements, referred to as joint ventures, for certain construction projects. Each of the joint venture participants is usually committed to supply a predetermined percentage of capital, as required, and to share in a predetermined percentage of the income or loss of the project.

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

For the year ended December 31, 2004, we had record revenues of \$1.842 billion and a record pretax profit of \$44.9 million. The 2004 operating results reflect increased profit contributions from all of our business units, most notably our building segment, due to an increased volume of work in the hospitality and gaming market, and our management services segment which experienced an increased volume of work in Iraq and Afghanistan. While the backlog of uncompleted construction work at December 31, 2004 was down to \$1.15 billion compared to \$1.67 billion at December 31, 2003, the demand for our future services in the gaming and hospitality market, as well as for construction management services to U. S. government agencies, remains high. Our financial condition remained strong at December 31, 2004 with working capital of \$178.0 million, a ratio of current assets to current liabilities of 1.41 to 1.00, and minimal long-term debt.

**Recent Developments**

*Move to New York Stock Exchange*

Effective April 1, 2004, our common stock began trading on the New York Stock Exchange under the symbol **PCR**. Previously, our common stock was listed on the American Stock Exchange. Our \$21.25 Preferred Stock remains listed on the American Stock Exchange.

*Secondary Offering Completed*

On April 13, 2004, we completed the pricing of a secondary offering of approximately 5.9 million shares of previously unregistered shares of our common stock at \$15.00 per share. The shares were sold by a stockholder group consisting of Blum Capital Partners, L.P., PB Capital Partners, L.P., The Common Fund for Non-Profit

## **Table of Contents**

Organizations, National Union Fire Insurance Company of Pittsburgh, Pa., a member of American International Group, and The Union Labor Life Insurance Company on behalf of its Separate Account P. We did not receive any proceeds from the sale of these securities by the selling stockholders.

### *Resale Registration Statement*

On July 13, 2004, we filed a shelf registration statement with the Securities and Exchange Commission to register the resale of approximately 11.4 million shares of our common stock held by certain existing stockholders. The selling stockholders consist of Tutor-Saliba Corporation, National Union Fire Insurance Company of Pittsburgh, Pa., a member of American International Group, Inc., O&G Industries, Inc., Blum Capital Partners, L.P., PB Capital Partners, L.P., and the Union Labor Life Insurance Company acting on behalf of its Separate Account P. We will not receive any proceeds from the sales of these securities by the selling stockholders. In September 2004, Tutor-Saliba Corporation sold 862,500 shares of our common stock, including the exercise of the underwriters' over-allotment option, at \$13.75 per share in an underwritten public offering under the shelf registration statement. As of December 31, 2004, approximately 10.3 million shares remain available for resale.

### *Amendment to Credit Facility*

In August 2004, the terms of our \$50 million credit facility (the "Credit Facility") were amended to extend the term of the Credit Facility from June 2005 to June 2007 and to adjust certain financial covenants. Other terms of the Credit Facility remain the same, including the provision that we can choose from interest rate alternatives including a prime-based rate as well as options based on LIBOR (London inter-bank offered rate).

### *Proposed Settlement of \$21.25 Preferred Stock Lawsuit*

On November 30, 2004, we announced that the parties had reached an agreement to settle the class action lawsuit filed by the holders of the \$21.25 Preferred Stock. Under the terms of the settlement, we would purchase all of the Depositary Shares submitted in the settlement for consideration of \$19.00 per share in cash and one share of our common stock. As of December 31, 2004, there were 559,273 Depositary Shares outstanding. In the event that fewer than 200,000 Depositary Shares are submitted in the settlement, we may terminate the settlement agreement and the parties will revert to their previous positions in the litigation. The proposed settlement is subject to approval of the Court.

### *Acquisition of Cherry Hill Construction, Inc.*

On January 21, 2005, we completed the acquisition of Cherry Hill Construction, Inc., or CHC, a privately held construction company based in Jessup, Maryland, for approximately \$20 million in cash. CHC is an established civil construction company in the Mid-Atlantic and Southeast regions with 2003 revenues and pretax earnings of \$119.0 million and \$3.6 million, respectively. CHC specializes in excavation, foundations, paving and construction of civil infrastructure. The acquisition will be effective as of January 1, 2005. At January 1, 2005, CHC had a firm backlog of approximately \$128 million.

### *Receipt of a Partial Stop Work Order for Work in Iraq*

On January 23, 2005, we received a partial stop work order relating to several partially funded task orders for work in Iraq under our five-year cost-plus-award-fee contract with the U. S. Department of State's Project Construction Office, or PCO. The PCO is evaluating the feasibility of shifting a portion of the construction funds for certain electrical distribution facilities to Iraqi government agencies in order to accelerate that country's economic recovery. Accordingly, we have not included in our backlog of uncompleted work at December 31, 2004 approximately \$150 million relating to this contract pending clarification and resolution of the situation.



**Table of Contents***Backlog Analysis for 2004*

The following table provides an analysis of our backlog by business segment for the year ended December 31, 2004.

	<b>Backlog at December 31, 2003</b>	<b>New Business Awarded (1)</b>	<b>Revenue Recognized</b>	<b>Backlog at December 31, 2004</b>
	(in thousands)			
Building	\$ 896,799	\$ 972,039	\$ (1,298,771)	\$ 570,067
Civil	305,698	63,108	(138,095)	230,711
Management Services	463,967	292,179	(405,449)	350,697
<b>Total</b>	<b>\$ 1,666,464</b>	<b>\$ 1,327,326</b>	<b>\$ (1,842,315)</b>	<b>\$ 1,151,475</b>

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

**Critical Accounting Policies**

Our significant accounting policies are described in Note 1 of Notes to Consolidated Financial Statements.

*Use of Estimates* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our construction business involves making significant estimates and assumptions in the normal course of business relating to our contracts and our joint venture contracts due to, among other things, the one-of-a-kind nature of most of our projects, the long-term duration of our contract cycle and the type of contract utilized. Therefore, management believes that Method of Accounting for Contracts is the most important and critical accounting policy. The most significant estimates with regard to these financial statements relate to the estimating of total forecasted construction contract revenues, costs and profits in accordance with accounting for long-term contracts (see Note 1(d) of Notes to Consolidated Financial Statements) and estimating potential liabilities in conjunction with certain contingencies, including the outcome of pending or future litigation, arbitration or other dispute resolution proceedings relating to contract claims (see Note 2 of Notes to Consolidated Financial Statements). Actual results could differ from these estimates and such differences could be material.

Our estimates of contract revenue and cost are highly detailed. We believe, based on our experience that our current systems of management and accounting controls allow management to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labor, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions and the accuracy of the original bid estimate. Because we have many contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability. However, large changes in cost estimates on larger, more complex civil construction projects can have a material impact on our financial statements and are reflected in our results of operations when they become known.

When recording revenue on contracts relating to unapproved change orders and claims, we include in revenue an amount equal to the amount of costs incurred by us to date for contract price adjustments that we seek to collect from customers for delays, errors in specifications or designs, change orders in dispute or unapproved as to scope or price, or other unanticipated additional costs, in each case when recovery of the costs are considered probable. When determining the likelihood of eventual recovery, we consider such factors as

**Table of Contents**

evaluation of entitlement, settlements reached to date and our experience with the customer. The settlement of these issues often takes years depending upon whether the item can be resolved directly with the customer or involves litigation or arbitration. When new facts become known, an adjustment to the estimated recovery is made and reflected in the current period results.

The amount of unapproved change order and claim revenue is included in our balance sheet as Unbilled Work. The amount of Unbilled Work relating to unapproved change orders and claims included in our balance sheet at December 31, 2004 and 2003 is summarized below:

	December 31,	
	2004	2003
	(in thousands)	
Unapproved Change Orders	\$ 6,202	\$ 17,936
Claims	61,483	64,515
	<u>\$ 67,685</u>	<u>\$ 82,451</u>

Of the balance of unapproved change orders and claims included in Unbilled Work at December 31, 2004 and December 31, 2003, approximately \$34.0 million and \$36.0 million respectively, are amounts subject to pending litigation or dispute resolution proceedings as described in Note 2, *Contingencies and Commitments* of Notes to Consolidated Financial Statements for the respective periods. These amounts are management's estimate of the probable recovery from the disputed claims considering such factors as evaluation of entitlement, settlements reached to date and knowledge of customer. In the event that future facts and circumstances, including the resolution of disputed claims, cause us to reduce the aggregate amount of our estimated probable recovery from the disputed claims, we will record the amount of such reduction against future earnings in the relevant period.

*Method of Accounting for Contracts* Revenues and profits from our contracts and construction joint venture contracts are recognized by applying percentages of completion for the period to the total estimated profits for the respective contracts. Percentage of completion is determined by relating the actual cost of the work performed to date to the current estimated total cost of the respective contracts. When the estimate on a contract indicates a loss, our policy is to record the entire loss during the accounting period in which it is estimated. In the ordinary course of business, at a minimum on a quarterly basis, we prepare updated estimates of the total forecasted revenue, cost and profit or loss for each contract. The cumulative effect of revisions in estimates of the total forecasted revenue and costs, including unapproved change orders and claims, during the course of the work is reflected in the accounting period in which the facts that caused the revision become known. The financial impact of these revisions to any one contract is a function of both the amount of the revision and the percentage of completion of the contract. An amount equal to the costs incurred which are attributable to unapproved change orders and claims is included in the total estimated revenue when realization is probable. Profit from unapproved change orders and claims is recorded in the accounting period such amounts are resolved.

Deferred contract revenue represents the excess of billings to date over the amount of contract costs and profits (or contract revenue) recognized to date on the percentage of completion accounting method on certain contracts. Unbilled work represents the excess of contract costs and profits (or contract revenue) recognized to date on the percentage of completion accounting method over billings to date on the remaining contracts. Unbilled work results when (1) the appropriate contract revenue amount has been recognized in accordance with the percentage of completion accounting method, but a portion of the revenue recorded cannot be billed currently due to the billing terms defined in the contract and/or (2) costs, recorded at estimated realizable value, related to unapproved change orders or claims are incurred. For unapproved change orders or claims that cannot be resolved in accordance with the normal change order process as defined in the contract, we may employ other dispute resolution methods, including mediation, binding and non-binding arbitration, or litigation. See Note 2, *Contingencies and Commitments*, of

Notes to Consolidated Financial Statements. The prerequisite for billing

**Table of Contents**

unapproved change orders and claims is the final resolution and agreement between the parties. Unbilled work related to our contracts and joint venture contracts at December 31, 2004 is discussed in Note 1(d) of Notes to Consolidated Financial Statements.

*Accounting for Income Taxes* Information relating to our (provision) credit for income taxes and the status of our deferred tax assets and liabilities is presented in Note 5, *Income Taxes*, of Notes to Consolidated Financial Statements. A key assumption in the determination of our book tax (provision) credit is the amount of the valuation allowance required to reduce the related deferred tax assets. A valuation allowance reduces the deferred tax assets to a level which will, more likely than not, be realized. Whether the deferred tax assets will be realized depends on the generation of future taxable income during the periods in which the deferred tax asset become deductible. The net deferred tax assets reflect management's estimate of the amount which will, more likely than not, reduce future taxable income.

As of December 31, 2002, management believed that a valuation allowance was required to reduce the deferred tax assets, primarily relating to certain net operating loss carryforwards ( *NOLs* ), for the following reasons:

Although we had generated approximately \$75 million of pretax profits during the three-year period ended December 31, 2002, the construction business, in general, and our future operating performance is difficult to predict. This is illustrated by our cumulative pretax loss of \$164 million during the five- year period immediately preceding the three-year period referred to above.

A substantial amount of profitable new work is required in order for the utilization of the *NOLs* to be evaluated as more likely than not.

Our backlog of work on hand had been trending down since December 31, 2000.

An adverse outcome on one or more of the legal matters discussed in Note 2 of Notes to Consolidated Financial Statements could have a significant impact on our ability to utilize the *NOLs* and, depending upon the magnitude, could create additional *NOLs*.