PERINI CORP
Form 424B3
December 13, 2004
Table of Contents

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-117344

PROSPECTUS SUPPLEMENT

(To Prospectus dated July 21, 2004 as supplemented on August 27, 2004)

11,404,409 Shares

Common Stock

This prospectus supplement, together with the prospectus supplement dated August 27, 2004 (Prospectus Supplement No. 1) and the accompanying prospectus (the Base Prospectus), relates to the offer and sale by the selling stockholders identified in the Base Prospectus of 11,404,409 shares of common stock of Perini Corporation. This document is in three parts. The first part is this prospectus supplement, which includes certain financial information contained in our report on Form 10-Q for the quarter ended September 30, 2004, filed with the Securities and Exchange Commission (the Commission) on November 5, 2004. The second part is Prospectus Supplement No. 1, which includes certain financial information contained in our report on Form 10-Q for the quarter ended June 30, 2004, filed with the Commission on August 6, 2004. This prospectus supplement and Prospectus Supplement No. 1 add to and update the information contained in the Base Prospectus. The Base Prospectus comprises the third part of this document and contains detailed information about our company and its business, financial condition and management, as well as the specific terms of this offering and information about the selling stockholders. It is important for you to read and carefully consider all information contained in this prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus.

Our common stock is quoted on the New York Stock Exchange under the symbol PCR. On December 9, 2004, the last reported sale price of our common stock on the New York Stock Exchange was $16.40 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 5 of the Base Prospectus and page S2-1 of this prospectus supplement before deciding to invest in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of 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.

The date of this prospectus supplement is December 13, 2004.

Table of Contents

TABLE OF CONTENTS

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 be used only where it is legal to sell these securities. The information in this document may be accurate only on the date of this document.

S2-i

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in three parts. The first part is this prospectus supplement, which adds to and updates the information contained in the accompanying prospectus (the Base Prospectus) and includes certain financial information contained in our report on Form 10-Q for the quarter ended September 30, 2004, filed with the Securities and Exchange Commission (the Commission) on November 5, 2004. The second part is the prospectus supplement dated August 27, 2004 (Prospectus Supplement No. 1), which includes certain financial information contained in our report on Form 10-Q for the quarter ended June 30, 2004, filed with the Commission on August 6, 2004. The third part, the Base Prospectus, contains detailed information about our company and its business, financial condition and management, as well as the specific terms of this offering and information about the selling stockholders. To the extent of any conflict between the information contained in this prospectus supplement and the information contained in Prospectus Supplement No. 1 or the Base Prospectus, the information in this prospectus supplement shall control. Similarly, to the extent of any conflict between the information contained in Prospectus Supplement No. 1 and the information contained in the Base Prospectus, the information in Prospectus Supplement No. 1 shall control.

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, Prospectus Supplement No. 1 and the Base 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, Prospectus Supplement No. 1 and the Base 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, Prospectus Supplement No. 1 and the Base 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, Prospectus Supplement No. 1 and the Base Prospectus is correct as of any time subsequent to the date stated or the date hereof.

Table of Contents

RECENT DEVELOPMENTS

On November 30, 2004, we entered into a memorandum of understanding to settle the class action lawsuit filed by holders of our $2.125 Depositary Convertible Exchangeable Preferred Shares (the Depositary Shares). The proposed settlement would resolve the action pending in the United States District Court for the District of Massachusetts brought against certain of our current and former directors. The plaintiffs, which include two of our current directors, Frederick Doppelt and Martin Shubik, claim that the defendants breached their fiduciary duties to the holders of Depositary Shares. The proposed settlement is subject to approval of the Court.

Under the terms of the settlement, we would purchase all of the Depositary Shares tendered in the settlement for consideration per share of $19.00 in cash and one share of our common stock. The named plaintiffs have agreed to support the settlement. There are currently 559,273 Depositary Shares outstanding. In the event that fewer than 200,000 Depositary Shares are tendered in the settlement, we may terminate the settlement agreement and the parties will revert to their previous positions in the litigation. Additionally, Frederick Doppelt would resign from his position as one of our directors upon Court approval of the settlement.

RISK FACTORS

The following risk factors add to and update the risk factors listed on page S-2 of Prospectus Supplement No. 1 and page 5 of the Base Prospectus. You should carefully consider these risks and all other information contained in this prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus before purchasing our common stock. If any such 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 supplement, Prospectus Supplement No. 1 and the Base Prospectus also contain 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 as well as those described in Prospectus Supplement No. 1 and the Base Prospectus.

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 19% of our revenues for the nine months ended September 30, 2004 were derived from our work on projects located outside of the United States. We expect non-U.S. projects to continue to contribute significantly 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. In addition, 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.

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 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 19% of our revenues for the nine months ended September 30, 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 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.

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 any 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 September 30, 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. Because our credit facility is secured by

Table of Contents

substantially all of our assets, acceleration of indebtedness under our credit facility 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 not be able to fully realize the revenue value reported in our backlog.

As of September 30, 2004, our backlog was approximately $1.242 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 revenues and profits.

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 owns approximately 13.5% of our outstanding common stock. Mr. Tutor also devotes a substantial amount of time to the business activities of Tutor-Saliba. Tutor-Saliba is engaged in the construction industry, and, as described under Certain Transactions, 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, such as the litigation described under Business Legal Proceedings, 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.

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 September 30, 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 12.6 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.

Through September 30, 2004, the average daily trading volume during 2004 for our common stock as reported by the New York Stock Exchange was approximately 148,000 shares. Even if we achieve a wider

Table of Contents

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.

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 September 30, 2004, the percentage of shares of our common stock owned by our executive officers, directors and 5% stockholders is approximately 48%. 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus, including under the sections titled 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 and Section 21E of the Securities Exchange Act of 1934 including, without limitation, statements regarding us or our management s expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the headings Risk Factors in this prospectus supplement, Prospectus Supplement No. 1 and the Base 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.

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

SEPTEMBER 30, 2004 (UNAUDITED) AND DECEMBER 31, 2003

(In Thousands)

	SEPT. 30, 2004	DEC. 31, 2003
ASSETS		
Cash and Cash Equivalents (Note 4)	$ 102,112	$ 67,823
Accounts Receivable, including retainage	401,444	328,025
Unbilled Work	95,034	116,572
Deferred Tax Asset	9,154	10,844
Other Current Assets	3,731	2,479
Total Current Assets	$ 611,475	$ 525,743
Property and Equipment, less Accumulated Depreciation of $21,104 in 2004 and $22,125 in 2003	$ 18,119	$ 16,598
Goodwill	$ 12,678	$ 14,007
Other Assets	$ 11,945	$ 9,095
	$ 654,217	$ 565,443
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Maturities of Long-term Debt (Note 6)	$ 1,272	$ 490
Accounts Payable, including retainage	345,935	318,448
Deferred Contract Revenue	59,455	48,431
Accrued Expenses	37,910	32,977
Total Current Liabilities	$ 444,572	$ 400,346
Long-term Debt, less current maturities included above (Note 6)	$ 8,819	$ 8,522
Other Long-term Liabilities (Note 9)	$ 38,367	$ 36,015
Contingencies and Commitments (Note 5)		
Stockholders Equity:		
Preferred Stock	$ 56	$ 56
Series A Junior Participating Preferred Stock		
Stock Purchase Warrants	965	2,233
Common Stock	24,489	22,946
Paid-In Surplus	102,888	90,296
Retained Earnings	58,943	30,007
Less Treasury Stock (Note 12)		(965)

	$ 187,341	$ 144,573
Accumulated Other Comprehensive Loss	(24,882)	(24,013)
Total Stockholders Equity	$ 162,459	$ 120,560
	$ 654,217	$ 565,443

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

S2-5

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)

(In Thousands, Except Share and Per Share Data)

	THREE MONTHS ENDED SEPT. 30,		NINE MONTHS ENDED SEPT. 30,	
	2004	2003	2004	2003
Revenues (Note 10)	$ 467,743	$ 295,855	$ 1,443,855	$ 873,451
Cost of Operations	444,110	280,067	1,372,963	829,590
Gross Profit	$ 23,633	$ 15,788	$ 70,892	$ 43,861
General and Administrative Expenses	12,912	9,037	31,720	27,709
INCOME FROM CONSTRUCTION OPERATIONS (Note 10)	**$ 10,721**	**$ 6,751**	**$ 39,172**	**$ 16,152**
Other Expense, Net	(688)	(146)	(3,939)	(428)
Interest Expense	(198)	(244)	(506)	(701)
Income before Income Taxes	$ 9,835	$ 6,361	$ 34,727	$ 15,023
(Provision) Credit for Income Taxes (Note 7)	(3,405)	35	(4,900)	6,410
NET INCOME	**$ 6,430**	**$ 6,396**	**$ 29,827**	**$ 21,433**
Less: Accrued Dividends on $21.25 Preferred Stock (Note 9)	(297)	(308)	(891)	(1,356)
Plus: Reversal of Accrued Dividends on $21.25 Preferred Stock based on results of 2003 tender offer (Note 9)		596		7,254
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	$ 6,133	$ 6,684	$ 28,936	$ 27,331
BASIC EARNINGS PER COMMON SHARE (Note 8)	$ 0.26	$ 0.29	$ 1.24	$ 1.20
DILUTED EARNINGS PER COMMON SHARE (Note 8)	$ 0.25	$ 0.28	$ 1.16	$ 1.17
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Note 8):				
BASIC	23,905,884	22,805,224	23,375,987	22,726,132
DILUTED	24,911,687	23,986,105	24,926,435	23,398,696

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

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(In Thousands, Except Share Data)

	Preferred Stock	Stock Purchase Warrants	Common Stock	Paid-In Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2003	$ 56	$ 2,233	$ 22,946	$ 90,296	$ 30,007	$ (965)	$ (24,013)	$ 120,560
Net income					29,827			29,827
Other comprehensive income (loss):								
Minimum pension liability adjustment (Note 11)							(869)	(869)
Total comprehensive income								28,958
Preferred stock dividends accrued ($15.938 per share*)					(891)			(891)
Common stock options and stock purchase warrants exercised		(1,268)	1,604	7,294				7,630
Income tax savings attributable to nonqualified stock options exercised				5,211				5,211
Reclassification of treasury stock (Note 12)			(61)	(904)		965		
Reversal of estimated cost of secondary stock offering				991				991
Balance September 30, 2004	$ 56	$ 965	$ 24,489	$ 102,888	$ 58,943	$	$ (24,882)	$ 162,459

* Equivalent to $1.5938 per Depositary Share

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

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(In Thousands)

	NINE MONTHS ENDED SEPT. 30,	
	2004	**2003**
Cash Flows from Operating Activities:		
Net income	$ 29,827	$ 21,433
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	3,981	2,524
Cash used by changes in components of working capital other than cash, current maturities of long-term debt and deferred tax asset	(8,682)	(12,592)
Net deferred tax asset	4,334	(7,270)
Other long-term liabilities	59	975
Gain on sale of fixed assets	(718)	(444)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	$ 28,801	$ 4,626
Cash Flows from Investing Activities:		
Acquisition of James A. Cummings, Inc., net of cash balance acquired	$	$ (8,613)
Acquisition of property and equipment	(3,941)	(4,406)
Proceeds from sale of property and equipment	1,017	767
Proceeds from land held for sale, net	879	2,125
Proceeds from sale of marketable securities		380
Proceeds from other investing activities	5	78
NET CASH USED BY INVESTING ACTIVITIES	$ (2,040)	$ (9,669)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	$ 1,428	$ 14,192
Reduction of long-term debt	(349)	(334)
Purchase of Preferred Stock pursuant to Tender Offer (Note 9)		(11,261)
Proceeds from exercise of common stock options and stock purchase warrants	7,630	791
Expenditure for stock registration	(1,181)	
NET CASH PROVIDED FROM FINANCING ACTIVITIES	$ 7,528	$ 3,388
Net Increase (Decrease) in Cash	$ 34,289	$ (1,655)
Cash at Beginning of Year	67,823	47,031
Cash at End of Period	$ 102,112	$ 45,376
Supplemental Disclosure of Cash Paid During the Period For:		
Interest	$ 506	$ 745

Income taxes	$ 1,587	$ 1,078

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

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 for the year ended December 31, 2003 included in the Base Prospectus. 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 our financial position as of September 30, 2004 and December 31, 2003, results of operations for the three month and nine month periods ended September 30, 2004 and 2003, and cash flows for the nine month periods ended September 30, 2004 and 2003. The results of operations for the nine month period ended September 30, 2004 may not be indicative of the results that may be expected for the year ending December 31, 2004 because our 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 us and our subsidiaries in preparing our consolidated financial statements are set forth in Note (1) to such financial statements for the year ended December 31, 2003 included in the Base Prospectus. We have made no significant changes to these policies during 2004 except as discussed in Note (3).

(3) ***Stock-Based Compensation***

Prior to September 30, 2004, we accounted for stock-based compensation under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 Accounting for Stock Issued to Employees (APB No. 25) and related Interpretations in accounting for our stock-based compensation costs. In addition, we have followed the disclosure requirements contained in Statement of Financial Accounting Standards (SFAS) No. 123 Accounting for Stock-Based Compensation (SFAS No. 123), as amended by SFAS No. 148 Accounting for Stock-Based Compensation Transition and Disclosure (SFAS No. 148). On September 30, 2004, we adopted the fair value recognition provisions of SFAS No. 123 for stock-based employee and director compensation costs, effective January 1, 2004, utilizing the modified prospective transition method as described in SFAS No. 148. Since there were no unvested awards as of January 1, 2004 and since there were no new awards in the six months ended June 30, 2004, no adjustments to previously issued financial statements were required upon adoption of this accounting principle. Had we applied the fair value recognition provisions of SFAS No. 123 to stock-based employee and director compensation prior to January 1, 2004, there would have been no effect on the reported net income or earnings per share for either the three month or nine month periods ended September 30, 2003 since previous stock awards were fully vested prior to January 1, 2003. We believe this change in accounting principle is to a preferable method.

(4) ***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 us that are available for general corporate purposes and our 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 us and to the other joint venture participants in

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(4) ***Cash and Cash Equivalents (continued)***

accordance with their 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, 2004 and December 31, 2003, cash and cash equivalents consisted of the following (in thousands):

	Sept. 30, 2004	Dec. 31, 2003
Corporate cash and cash equivalents (available for general corporate purposes)	$ 65,099	$ 33,426
Company s share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	37,013	34,397
	$ 102,112	$ 67,823

(5) ***Contingencies and Commitments***

(a) Mergentime Perini Joint Ventures vs. WMATA Matter

On May 11, 1990, contracts with two joint ventures in which 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 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.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments (continued)***

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

During 1995, a joint venture, Tutor-Saliba-Perini, or TSP, in which Perini is the 40% minority partner and Tutor-Saliba Corporation 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 MTA, seeking to recover costs for extra work required by the MTA in connection with the construction of certain tunnel and station projects. In February 1999 the MTA countered with civil claims under the California False Claims Act against TSP, Tutor-Saliba and Perini jointly and severally. 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 Corporation.

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

On March 26, 2002, the Judge amended the award, ordering TSP to pay the MTA 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 and the other plaintiffs/defendants in the counterclaim have appealed the Judge s discovery sanction, the subsequent jury award and the amended award. Oral arguments on the appeal are scheduled for December 3, 2004. The ultimate financial impact of the Judge s ruling and/or the awards 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 Perini, Tutor-Saliba Corporation, or TSC, the Tutor-Saliba, Perini & Buckley Joint Venture, Buckley & Company, Inc. 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 TSC, 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. 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,

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments (continued)***

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

various civil penalties and a declaration that TSC and the joint venture are irresponsible bidders. The defendants filed a Motion to Dismiss the Third Amended Complaint. in August, 2004. A decision thereon is pending.

TSC is the managing partner of the joint venture and, in December 1997, Perini sold its entire 20% interest in the joint venture to TSC. As part of that sale agreement, TSC 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 approximately $38 million 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 in the amount of approximately $17.9 million along with the repayment of approximately $22.6 million for alleged advances previously paid to RPJV.

The parties have each revised their statement of damages. RPJV s total claim is approximately $74 million. STP s revised claim is now approximately $54.5 million, including its claim for alleged advances already paid.

Arbitration evidentiary hearings have commenced. 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. 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 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

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments (continued)***

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

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.

The DRB has also ruled on a binding basis that PKC is entitled to additional compensation awards totaling $17.1 million for impacts and inefficiencies caused by MHD to certain of PKC s work. PKC has filed applications in these actions in the Massachusetts Superior Court seeking to confirm the awards and MHD has filed applications to vacate these awards.

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 will complete hearings on all claims that were pending when it was terminated. Replacement (Third) DRB members have been agreed upon. Proceedings before the Second and Third DRBs were postponed pending completion of the negotiation and mediation discussed below.

The pending claims yet to be decided by the Second DRB on a binding basis have an anticipated value of $49.4 million. The remaining claims to be decided by the Third DRB on a binding basis have an anticipated value of $72.6 million.

In December 2002, PKC and MHD entered into an agreement to attempt to resolve by negotiation and mediation all of the outstanding claims on the project. As part of the agreement, the MHD recommended for approval by the Massachusetts Turnpike Authority a contract modification that provides for provisional payments to PKC totaling $25 million against PKC s outstanding claims. To date, PKC has received $23.75 million of those provisional payments. The parties also agreed to stay the pending litigation and DRB proceedings during the negotiations. The parties began mediation on all claims in September 2003. The mediation continued until October 2004. One claim was resolved; the remaining claims could not be settled. The mediation agreement has been terminated, and the hearings before the Second DRB, Third DRB, and the courts will resume.

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.

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 General s office presented a list of items that it believed constitute false claims. PKC vigorously denies that it submitted any false claims and is cooperating with the Attorney General s office in the ongoing investigation.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments (continued)***

(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 $21.25 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. This lawsuit is captioned Doppelt, et al. v. Tutor, et al., United States District Court for the District of Massachusetts. 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 allege 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 have 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 of the Depositary Shares. Pursuant to the Court s April 12, 2004 Order, in May 2004 the plaintiffs filed a third amended complaint and thereafter filed a motion for class certification.

The plaintiffs seek damages of at least $10M, plus interest and attorneys fees. The parties are engaged in discovery concerning class certification. Defendant s opposition to plaintiffs motion for class certification is due on November 22, 2004.

In 2001, a similar lawsuit was field by some of the same plaintiffs in the United States District Court for the Southern District of New York, which claimed that the Company breached its contract with the holders of Depositary Shares. In 2002, the case was dismissed and upon appeal by the plaintiffs to the Untitled States Court of Appeals for the Second Circuit, the Court of Appeals affirmed the dismissal.

(6) ***Long-term Debt***

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.

(7) ***(Provision) Credit For Income Taxes***

The lower-than-normal tax rate reflected in the (provision) credit for income taxes for the third quarter of 2003 and for the nine month periods ended September 30, 2004 and 2003 is due in part to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations. The credit for income taxes for the nine months ended September 30, 2003 also includes the recognition of a $7.0 million federal tax benefit in accordance with SFAS No. 109, Accounting for Income Taxes based on the expected utilization of net operating loss carryforwards.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(8) ***Per Share Data***

Basic earnings per common share was computed by dividing net income less dividends accrued on the $21.25 Preferred Stock during all periods presented plus the reversal in both the second and third quarters of 2003 of dividends on the $21.25 Preferred Stock previously accrued but no longer required based on the results of the tender offer completed in 2003 (see Note 9) 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 and warrants outstanding on the weighted average number of common shares outstanding.

Options to purchase 380,000 shares of common stock at prices ranging from $6.85 to $8.66 per share were outstanding at September 30, 2003 but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common stock. In addition, the effect of the assumed conversion of our stock purchase warrants was antidilutive for the three month and nine month periods ended September 30, 2003, and the effect of the assumed conversion of our outstanding $21.25 Preferred Stock into common stock was antidilutive for all periods presented.

(9) ***Dividends***

(a) Common Stock

There were no cash dividends declared or paid on our outstanding common stock during the periods presented in the consolidated condensed financial statements included herein.

(b) $21.25 Preferred Stock

The covenants of our prior credit agreements required us to suspend the payment of quarterly dividends on our $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. In 2003, we completed a tender offer on our $21.25 Preferred Stock whereby we purchased 440,627 Depositary Shares. As a result of this transaction, approximately $7.3 million of previously accrued and unpaid dividends was reversed and restored to Paid-In Surplus in the Consolidated Condensed Balance Sheets. Accordingly, the aggregate amount of dividends in arrears at September 30, 2004 is approximately $10.7 million, which represents approximately $191.25 per share of $21.25 Preferred Stock or approximately $19.13 per Depositary Share and is included in Other Long-term Liabilities in the Consolidated Condensed Balance Sheets. 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 seven annual meetings of stockholders.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(10) ***Business Segments***

The following tables set forth certain business segment information relating to our operations for the three month and nine month periods ended September 30, 2004 and 2003 (in thousands):

Nine months ended September 30, 2004	Reportable Segments					
	Building	Civil	Management Services	Totals	Corporate	Consolidated Total
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

Nine months ended September 30, 2003	Reportable Segments					
	Building	Civil	Management Services	Totals	Corporate	Consolidated Total
Revenues	$ 629,305	$ 134,507	$ 109,639	$ 873,451	$	$ 873,451
Income from Construction Operations	$ 9,228	$ 1,684	$ 11,389	$ 22,301	$ (6,149)*	$ 16,152
Assets	$ 163,055	$ 245,573	$ 23,618	$ 432,246	$ 32,166 **	$ 464,412

Three months ended September 30, 2004	Reportable Segments					
	Building	Civil	Management Services	Totals	Corporate	Consolidated Total
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

Three months ended September 30, 2003	Reportable Segments					
	Building	Civil	Management Services	Totals	Corporate	Consolidated Total
Revenues	$ 214,292	$ 43,249	$ 38,314	$ 295,855	$	$ 295,855
Income from Construction Operations	$ 4,746	$ (174)	$ 4,014	$ 8,586	$ (1,835)*	$ 6,751

* 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.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(11) ***Employee Pension Plans***

We have a defined benefit pension plan that covers our executive, professional, administrative and clerical employees, subject to certain specified service requirements. We also have 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 our plans. The following table sets forth the net pension cost by component for the three month and nine month periods ended September 30, 2004 and 2003 (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
Service cost benefits earned during the period	$ 174	$ 457	$ 1,245	$ 1,371
Interest cost on projected benefit obligation	1,012	1,169	3,404	3,506
Expected return on plan assets	(1,032)	(1,136)	(2,967)	(3,409)
Amortization of prior service costs	(7)	8	11	26
Recognized actuarial loss	10	166	935	499
Net periodic pension cost	$ 157	$ 664	$ 2,628	$ 1,993
Effect of curtailment			247	
Total Pension Cost	$ 157	$ 664	$ 2,875	$ 1,993

As previously disclosed in our financial statements for the year ended December 31, 2003, we expected to contribute $4.0 million to the pension plan in 2004. On April 1, 2004, we made the $4.0 million cash contribution and do not plan to make any further contributions to the pension plan in 2004.

Effective June 1, 2004, all benefit accruals under our pension plan were frozen; however, current vested benefits will be preserved. We have evaluated the financial impact of this decision on our 2004 pension expense and results of operations and believe that the financial impact will not be material.

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 the second quarter of 2004. In addition, based upon a re-evaluation of the funded status of our pension plans as of June 1, 2004, we recorded a $0.9 million increase, net of tax, in accumulated other comprehensive loss attributable to the change in the additional minimum pension liability recognized pursuant to SFAS No. 87, Employers Accounting for Pensions .

(12) ***Treasury Stock***

Effective July 1, 2004, a new corporation statute enacted by the Commonwealth of Massachusetts made the concept of treasury shares obsolete. Under the new statute, shares previously issued by us that are subsequently acquired by us become authorized but unissued shares. Accordingly, in the third quarter of 2004 we reclassified 60,529 shares previously shown as treasury shares against common stock issued. The $965,000 cost related to these treasury shares was reclassified against common stock and paid-in surplus.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Overview

Perini Corporation is 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 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, 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 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, 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 the United States 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.

Significant Accounting Policies

Our significant accounting policies are described in Note 1 of Notes to Consolidated Financial Statements for the fiscal year ended December 31, 2003 included in the Base Prospectus. Our critical accounting policies are also identified and discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations in the Base Prospectus. We have made no significant change in these policies during 2004 except as discussed below.

Prior to September 30, 2004, we accounted for stock-based compensation under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 Accounting for Stock Issued to Employees (APB No. 25) and related Interpretations in accounting for our stock-based compensation costs. In addition, we followed the disclosure requirements contained in Statement of Financial Accounting Standards (SFAS) No. 123 Accounting for Stock-Based Compensation (SFAS No. 123), as amended by SFAS No. 148 Accounting for Stock-Based Compensation Transition and Disclosure (SFAS No. 148). On September 30, 2004, we adopted the fair value recognition provisions of SFAS No. 123 for stock-based employee and director compensation costs, effective January 1, 2004, utilizing the modified prospective transition method as described in SFAS No. 148. Since there were no unvested awards as of January 1, 2004 and since there were no new awards in the six months ended June 30, 2004, no adjustments to previously issued financial statements were required upon adoption of this accounting principle. Had we applied the fair value recognition provisions of SFAS No. 123 to stock-based employee and director compensation prior to January 1, 2004, there would have been no effect on the reported net income or earnings per share for either the three month or nine month periods ended September 30, 2003 since previous stock awards were fully vested prior to January 1, 2003. We believe this change in accounting principle is to a preferable method.

Recent Developments

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.

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).

Pending Acquisition of Cherry Hill Construction, Inc.

On September 3, 2004, we announced that we had signed a letter of intent to acquire Cherry Hill Construction, Inc. (CHC), a privately held construction company, for $20 million in cash, subject to terms and conditions including lender approval. Based in Jessup, Maryland, 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. Assuming the successful completion of due diligence, we anticipate that the acquisition transaction will close in 2004.

Backlog Analysis for 2004

The following table provides an analysis of our backlog by business segment for the nine month period ended September 30, 2004.

	Backlog at Dec. 31, 2003	New Business Awarded	Revenue Recognized	Backlog at Sept. 30, 2004
		(In thousands)		
Building	$ 896,799	$ 687,834	$ (1,008,112)	$ 576,521
Civil	305,698	37,102	(110,470)	232,330
Management Services	463,967	294,204	(325,273)	432,898
Total	$ 1,666,464	$ 1,019,140	$ (1,443,855)	$ 1,241,749

Results of Operations

Comparison of the Third Quarter of 2004 With the Third Quarter of 2003

Net income of $6.4 million for the third quarter of 2004 was comparable to net income for the third quarter of 2003 as higher income from construction operations, due primarily to the increase in revenues discussed below, was offset by an increase in the provision for income taxes. The provision for income taxes in 2003 reflects 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.

	Revenues for the Three Months Ended Sept. 30,		Increase	%
	2004	2003	(Decrease)	Change
		(In millions)		
Building	$ 346.6	$ 214.3	$ 132.3	61.7%
Civil	46.7	43.3	3.4	7.9%
Management Services	74.5	38.3	36.2	94.5%
Total	$ 467.8	$ 295.9	$ 171.9	58.1%

Overall revenues increased by $171.9 million (or 58.1%), from $295.9 million in 2003 to $467.8 million in 2004. This increase was due primarily to an increase in building revenues of $132.3 million (or 61.7%), from

Table of Contents

$214.3 million in 2003 to $346.6 million in 2004, and an increase in management services revenues of $36.2 million (or 94.5%), from $38.3 million in 2003 to $74.5 million in 2004. The increase in building construction revenues was due primarily to the timing of the start up of new projects in the hospitality and gaming market, particularly in California and Nevada, and reflects the significantly higher building segment backlog entering 2004 compared to 2003. The increase in management services revenues is due primarily to the new contracts we were awarded in late 2003 relating to the rebuilding of Iraq and Afghanistan. Civil construction revenues increased by $3.4 million (or 7.9%), from $43.3 million in 2003 to $46.7 million in 2004.

	Income from Construction Operations for the Three Months Ended Sept. 30,		Increase	%
	2004	2003	(Decrease)	Change
		(In millions)		
Building	$ 7.0	$ 4.7	$ 2.3	48.9%
Civil	0.9	(0.1)	1.0	n.a.
Management Services	5.6	4.0	1.6	40.0%
Subtotal	$ 13.5	$ 8.6	$ 4.9	57.0%
Less: Corporate	(2.8)	(1.9)	0.9	(47.4)%
Total	$ 10.7	$ 6.7	$ 4.0	59.7%

Income from construction operations (excluding corporate) increased by $4.9 million (or 57.0%), from $8.6 million in 2003 to $13.5 million in 2004. Building construction income from operations increased by $2.3 million (or 48.9%), from $4.7 million in 2003 to $7.0 million in 2004, due primarily to the increase in revenues discussed above. Partly offsetting this increase was a $2.0 million increase in building construction-related general and administrative expenses due primarily to a $1.7 million increase in incentive compensation due primarily to a timing variance. Management services income from operations increased by $1.6 million (or 40.0%), from $4.0 million in 2003 to $5.6 million in 2004, due primarily to the increase in revenues discussed above partly offset by lower gross profit margins in 2004 on projects currently in process. In addition, management services income from operations was negatively impacted by a $1.2 million increase in management services-related general and administrative expenses due primarily to a $1.0 million increase in incentive compensation due primarily to a timing variance. Civil construction income from operations increased by $1.0 million, from a loss of $0.1 million in 2003 to a profit of $0.9 million in 2004, due primarily to recognition of a claim settlement on a completed infrastructure project which was largely offset by a profit reversal on another project due to the settlement of outstanding issues with the owner. Income from operations was negatively impacted by a $0.9 million increase in corporate general and administrative expenses, from $1.9 million in 2003 to $2.8 million in 2004, due primarily to a $0.9 million increase in corporate incentive compensation due primarily to a timing variance.

Other expense increased by $0.6 million, from an expense of $0.1 million in 2003 to an expense of $0.7 million in 2004, due primarily to a $0.2 million increase in expenses related to the secondary stock offering completed in September 2004, as well as a $0.2 million increase in the amortization of the intangible asset established in conjunction with the accounting for the acquisition of Cummings in January 2003.

The (provision) credit for income taxes reflects a lower-than-normal tax rate in 2003 due primarily to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations.

Pro Forma Net Income for the Third Quarters of 2004 and 2003

As discussed above, our reported net income was $6.4 million for both the three months ended September 30, 2004 and the three months ended September 30, 2003. Our reported basic earnings per common share were $0.26 and $0.29 for the three months ended September 30, 2004 and 2003, respectively. Our reported diluted earnings per common share were $0.25 and $0.28 for the three months ended September 30, 2004 and 2003,

Table of Contents

respectively. Assuming an effective income tax rate of 38% and also assuming that we completed our 2003 tender offer for our $21.25 Preferred Stock prior to January 1, 2003, pro forma net income for the three months ended September 30, 2004 would have been $6.1 million, as compared to pro forma net income of $3.9 million for the three months ended September 30, 2003. Similarly, pro forma basic earnings per common share for the three months ended September 30, 2003 would have been $0.24, as compared to pro forma basic earnings per common share of $0.16 for the three months ended September 30, 2003. Pro forma diluted earnings per common share for the three months ended September 30, 2004 would have been $0.23, as compared to pro forma diluted earnings per common share of $0.15 for the three months ended September 30, 2003. The reconciliation of reported net income to pro forma net income for the three months ended September 30, 2004 and 2003 is set forth below under Reconciliation of Reported Net Income to Pro Forma Net Income for the Three Month and Nine Month Periods Ended September 30, 2004 and 2003.

Comparison of the Nine Months Ended September 30, 2004 With the Nine Months Ended September 30, 2003

Income before taxes increased by $19.7 million, from $15.0 million in 2003 to a year-to-date record of $34.7 million in 2004, due primarily to an overall increase in revenues. However, net income increased by only $8.4 million, from $21.4 million in 2003 to $29.8 million in 2004, due primarily to the recognition of a $7.0 million federal tax benefit in 2003 based on expected utilization of net operating loss carryforwards. In addition, both 2004 and 2003 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.

	Revenues for the Nine Months Ended Sept. 30,		Increase	%
	2004	2003	(Decrease)	Change
		(In millions)		
Building	$ 1,008.1	$ 629.3	$ 378.8	60.2%
Civil	110.5	134.5	(24.0)	(17.8)%
Management Services	325.3	109.6	215.7	196.8%
Total	$ 1,443.9	$ 873.4	$ 570.5	65.3%

Overall revenues increased by $570.5 million (or 65.3%), from $873.4 million in 2003 to $1,443.9 million in 2004. This increase was due primarily to an increase in building revenues of $378.8 million (or 60.2%), from $629.3 million in 2003 to $1,008.1 million in 2004, and an increase in management services revenues of $215.7 million (or 196.8%), from $109.6 million in 2003 to $325.3 million in 2004. The increase in building construction revenues was due primarily to the timing of the start up of new projects in the hospitality and gaming market, particularly in California and Nevada, and reflects the significantly higher building segment backlog entering 2004 compared to 2003. The increase in management services revenues is due primarily to the new contracts we were awarded in late 2003 related to the rebuilding of Iraq and Afghanistan. These increases were partly offset by a decrease in civil construction revenues of $24.0 million (or 17.8%), from $134.5 million in 2003 to $110.5 million in 2004. The decrease in revenues from civil construction operations primarily reflects a decreasing backlog of civil construction work as we continue to focus on returning this segment to its historical level of performance. In addition, certain new work opportunities have been delayed pending finalization of funding.

Income from Construction Operations for the	Increase (Decrease)	% Change

	Nine Months Ended Sept. 30,			
	2004	2003		
		(In millions)		
Building	$ 21.7	$ 9.2	$ 12.5	135.9%
Civil	2.1	1.7	0.4	(23.5)%
Management Services	22.7	11.4	11.3	99.1%
Subtotal	$ 46.5	$ 22.3	$ 24.2	108.5%
Less: Corporate	(7.3)	(6.2)	1.1	(17.7)%
Total	$ 39.2	$ 16.1	$ 23.1	143.5%

Table of Contents

Income from construction operations (excluding corporate) increased by $24.2 million (or 108.5%), from $22.3 million in 2003 to $46.5 million in 2004. Building construction income from operations increased by $12.5 million, from $9.2 million in 2003 to $21.7 million in 2004, due primarily to the increase in revenues discussed above. Building construction income from operations was negatively impacted by a $0.5 million increase in building construction-related general and administrative expenses as the benefits realized by one business unit from the impact of certain cost reduction measures instituted during 2003, as well as a greater ability to utilize personnel on projects as a result of the increased number of projects in process, were more than offset by a $1.7 million increase in incentive compensation due primarily to a timing variance. Management services income from operations increased by $11.3 million (or 99.1%), from $11.4 million in 2003 to $22.7 million in 2004, due primarily to the increase in revenues discussed above partly offset by a lower gross profit margin in 2004 since 2003 included a profit increase based on favorable cost experience on two fixed price overseas projects. Despite the decrease in revenues discussed above, civil construction income from operations increased by $0.4 million, from $1.7 million in 2003 to $2.1 million in 2004, due primarily to a $0.3 decrease in civil construction-related general and administrative expenses. In addition, civil construction income from operations benefited from a $0.5 million increase in gains realized from the sale of equipment. Income from operations was negatively impacted by a $1.1 million increase in corporate general and administrative expenses, from $6.2 million in 2003 to $7.3 million in 2004, due primarily to a $1.0 million increase in corporate incentive compensation due primarily to a timing variance.

Other expense increased by $3.6 million, from an expense of $0.4 million in 2003 to an expense of $4.0 million in 2004, due primarily to a $1.7 million increase in expenses related to the secondary stock offerings completed in 2004, as well as a $1.2 million increase in the amortization of the intangible asset established in conjunction with the accounting for the acquisition of Cummings in January 2003. Also, in accordance with SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits , we recorded a one-time charge of $0.2 million in 2004 due to the decision to freeze all benefit accruals under our defined benefit pension plan effective June 1, 2004.

The (provision) credit for income taxes reflects a lower-than-normal tax rate in both 2004 and 2003 due in part to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations. The credit for income taxes in 2003 also includes the recognition of a $7.0 million federal tax benefit in accordance with SFAS No. 109, Accounting for Income Taxes based on the expected utilization of net operating loss carryforwards.

Table of Contents

Reconciliation of Reported Net Income to Pro Forma Net Income for the Three Month and Nine Month Periods Ended September 30, 2004 and 2003

As discussed above, our reported net income was $29.8 million and $21.4 million for the nine months ended September 30, 2004 and 2003, respectively. Our reported basic earnings per common share were $1.24 and $1.20 for the nine months ended September 30, 2004 and 2003, respectively. Our reported diluted earnings per common share were $1.16 and $1.17 for the nine months ended September 30, 2004 and 2003, respectively. Assuming an effective income tax rate of 38% and also assuming that we completed our 2003 tender offer for our $21.25 Preferred Stock prior to January 1, 2003, pro forma net income for the nine months ended September 30, 2004 would have been $21.5 million, as compared to pro forma net income of $9.3 million for the nine months ended September 30, 2003. Similarly, pro forma basic earnings per common share for the nine months ended September 30, 2004 would have been $0.88, as compared to pro forma basic earnings per common share of $0.37 for the nine months ended September 30, 2003. Pro forma diluted earnings per common share for the nine months ended September 30, 2004 would have been $0.83, as compared to pro forma diluted earnings per common share of $0.36 for the nine months ended September 30, 2003. The reconciliation of reported net income to pro forma net income for the nine month and three month periods ended September 30, 2004 and 2003 is set forth below:

	For the Three Months Ended September 30,		**For the Nine Months Ended September 30,**	
	2004	**2003**	**2004**	**2003**
	(In thousands, except per share data)			
Reported net income	$ 6,430	$ 6,396	$ 29,827	$ 21,433
Plus: Provision (credit) for income taxes	3,405	(35)	4,900	(6,410)
Income before income taxes	9,835	6,361	34,727	15,023
Provision for income taxes assuming 38% effective rate	3,737	2,417	13,196	5,709
Pro forma net income	**$ 6,098**	**$ 3,944**	**$ 21,531**	**$ 9,314**
Less: Dividends accrued on Preferred Stock assuming the tender offer took place prior to January 1, 2003	(297)	(297)	(891)	(891)
Pro forma total available for common stockholders	$ 5,801	$ 3,647	$ 20,640	$ 8,423
Pro forma basic earnings per common share	**$ 0.24**	**$ 0.16**	**$ 0.88**	**$ 0.37**
Pro forma diluted earnings per common share	**$ 0.23**	**$ 0.15**	**$ 0.83**	**$ 0.36**
Weighted average common shares outstanding:				
Basic	23,906	22,805	23,376	22,726
Effect of dilutive stock options and warrants outstanding	1,006	1,181	1,550	673
Diluted	24,912	23,986	24,926	23,399

To supplement our unaudited consolidated financial statements presented on a generally accepted accounting principles (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.

Table of Contents

Liquidity and Capital Resources

Cash and Working Capital

We have a $50 million revolving credit facility (the Credit Facility) which will mature in June 2007. Management believes that the Credit Facility provides us with the flexibility to provide the funds needed to support the anticipated growth of our construction activities. At September 30, 2004, we had $47.2 million available to borrow under the Credit Facility.

The Credit Facility requires, among other things, maintaining minimum tangible net worth, fixed charge coverage and operating profit levels as well as a minimum working capital ratio. The Credit Facility also includes operational covenants customary for facilities of this type, including restrictions on incurring additional indebtedness without the consent of our lenders, other than financing for our corporate headquarters, insurance premiums and construction equipment, as well as limitations on liens, investments and the purchase and sale of assets outside of the normal course of business. Our obligations under our Credit Facility are guaranteed by substantially all of our current and future subsidiaries, and secured by substantially all of our and our subsidiaries assets, including a pledge of all of the capital stock of our subsidiaries.

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 their 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, 2004 and December 31, 2003, cash held by us and available for general corporate purposes was $65.1 million and $33.4 million, respectively, and our proportionate share of cash held by joint ventures and available only for joint venture-related uses was $37.0 million and $34.4 million, respectively.

A summary of cash flows for each of the nine month periods ended September 30, 2004 and 2003 is set forth below:

	Nine Months Ended Sept. 30,	
	2004	**2003**
	(In millions)	
Cash flows from:		
Operating activities	$ 28.8	$ 4.6
Investing activities	(2.0)	(9.6)
Financing activities	7.5	3.4
Net increase (decrease) in cash	$ 34.3	$ (1.6)
Cash at beginning of year	67.8	47.0
Cash at end of period	$ 102.1	$ 45.4

During the first nine months of 2004, we generated $28.8 million in cash flow from operating activities and $7.5 million in cash flow from financing activities, primarily from $7.6 million received from the exercise of common stock options and stock purchase warrants, to fund $2.0 million in cash flow used by investing activities, primarily to acquire construction equipment and to increase our balance of cash on hand. As a result, our consolidated cash balance increased by $34.3 million, from $67.8 million at December 31, 2003 to $102.1 million at September 30, 2004.

Working capital increased from $125.4 million at the end of 2003 to $166.9 million at September 30, 2004. The current ratio increased from 1.31x to 1.38x during the same period.

Table of Contents

The amount of unbilled work decreased by $21.6 million, from $116.6 million at December 31, 2003 to $95.0 million at September 30, 2004, due primarily to the timing of certain contract billings.

Long-term Debt

Long-term debt increased slightly from $8.5 million at December 31, 2003 to $8.8 million at September 30, 2004. The long-term debt to equity ratio was .05x at September 30, 2004, compared to .07x at December 31, 2003.

Dividends

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

The covenants in our prior credit agreements required us to suspend the payment of quarterly dividends on our $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. The aggregate amount of dividends in arrears is approximately $10.7 million as of September 30, 2004.

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 Preferred Stock. 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.

We are pursuing a strategy of expanding our construction business internally and through acquisitions, both of which will likely require additional capital. In September 2004, we announced that we have signed a letter of intent to acquire Cherry Hill Construction Company, Inc. for $20 million in cash.

Forward-looking Statements

The statements contained in this Management s Discussion and Analysis of the Consolidated Condensed Financial Statements and other sections of this prospectus supplement, Prospectus Supplement No. 1 and the Base 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 or our management s expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the continuing validity of the underlying assumptions and estimates of total forecasted project revenues, costs and profits and project schedules; the outcomes of pending or future litigation, arbitration or other dispute resolution proceedings; the availability of borrowed funds on terms acceptable to us; the ability to retain certain members of management; the ability to obtain surety bonds to secure our performance under certain construction contracts; possible labor disputes or work stoppages within the construction industry; changes in federal and state appropriations for infrastructure projects; possible changes or developments in worldwide or domestic political,

Table of Contents

social, economic, business, industry, market and regulatory conditions or circumstances; and actions taken or not taken by third parties including our customers, suppliers, business partners, and competitors and legislative, regulatory, judicial and other governmental authorities and officials; and other risks and uncertainties discussed under the heading Risk Factors in this prospectus supplement and the Base 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.

Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in our exposure to market risk since December 31, 2003 as described in the section entitled Quantitative and Qualitative Disclosures About Market Risk on page 36 of the Base Prospectus.

Table of Contents

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-117344

PROSPECTUS SUPPLEMENT

(To Prospectus dated July 21, 2004)

11,404,409 Shares

Common Stock

This prospectus supplement together with the accompanying prospectus relates to the offer and sale by the selling stockholders identified in the accompanying prospectus of 11,404,409 shares of common stock of Perini Corporation. This document is in two parts. This first part is this prospectus supplement, which includes certain financial information contained in our report on Form 10-Q for the quarter ended June 30, 2004, filed with the Securities and Exchange Commission on August 6, 2004. This prospectus supplement adds to and updates the information contained in the accompanying prospectus. The accompanying prospectus comprises the second part of this document and contains detailed information about our company and its business, financial condition and management, as well as the specific terms of this offering and information about the selling stockholders. It is important for you to read and carefully consider all information contained in this prospectus supplement and the accompanying prospectus.

Our common stock is quoted on the New York Stock Exchange under the symbol PCR. On August 25, 2004, the last reported sale price of our common stock on the New York Stock Exchange was $14.00 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-2 of this prospectus supplement and page 5 of the accompanying prospectus before deciding to invest in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of 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.

The date of this prospectus supplement is August 27, 2004.

Table of Contents

TABLE OF CONTENTS

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 be used only where it is legal to sell these securities. The information in this document may be accurate only on the date of this document.

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 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.

Table of Contents

RISK FACTORS

The following risk factors add to and update the risk factors listed on page 5 of the accompanying prospectus. You should carefully consider the risks contained in this prospectus supplement and the accompanying prospectus and all other information contained in this prospectus supplement and the accompanying prospectus before purchasing our common stock. If any such 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 supplement and the accompanying prospectus also contain 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 in the accompanying prospectus.

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 22% of our revenues for the six months ended June 30, 2004 were derived from our work on projects located outside of the United States. We expect non-U.S. projects to continue to contribute significantly 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. In addition, 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.

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 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 17% of our revenues for the six months ended June 30, 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 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

Table of Contents

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.

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 any 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 June 30, 2004 was $47.2 million.

Our credit facility contains financial covenants that require us to maintain minimum working capital, tangible net worth and operating profit levels. Our credit facility also requires us to comply with a minimum interest coverage 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. Because our credit facility is secured by substantially all of our assets, acceleration of indebtedness under our credit facility 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 not be able to fully realize the revenue value reported in our backlog.

As of June 30, 2004, our backlog was approximately $1.289 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 revenues and profits.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this prospectus supplement and the accompanying prospectus, including under the sections titled 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 and Section 21E of the Securities Exchange Act of 1934, including without limitation, statements regarding us or our management s expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the headings Risk Factors in this prospectus supplement and 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.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

JUNE 30, 2004 (UNAUDITED) AND DECEMBER 31, 2003

(In Thousands)

	JUNE 30, 2004	DEC. 31, 2003
	(unaudited)	
ASSETS		
Cash and Cash Equivalents (Note 4)	$ 89,327	$ 67,823
Accounts Receivable, including retainage	382,933	328,025
Unbilled Work	104,677	116,572
Deferred Tax Asset	10,685	10,844
Other Current Assets	3,703	2,479
Total Current Assets	$ 591,325	$ 525,743
Property and Equipment, less Accumulated Depreciation of $20,532 in 2004 and $22,125 in 2003	$ 17,847	$ 16,598
Goodwill	$ 12,678	$ 14,007
Other Assets	$ 10,987	$ 9,095
	$ 632,837	$ 565,443
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Maturities of Long-term Debt (Note 6)	$ 2,015	$ 490
Accounts Payable, including retainage	361,845	318,448
Deferred Contract Revenue	50,780	48,431
Accrued Expenses	24,694	32,977
Total Current Liabilities	$ 439,334	$ 400,346
Long-term Debt, less current maturities included above (Note 6)	$ 9,003	$ 8,522
Other Long-term Liabilities (Note 9)	$ 38,090	$ 36,015
Contingencies and Commitments (Note 5)		
Stockholders Equity:		
Preferred Stock	$ 56	$ 56
Series A Junior Participating Preferred Stock		
Stock Purchase Warrants	1,965	2,233
Common Stock	23,270	22,946
Paid-In Surplus	94,156	90,296
Retained Earnings	52,810	30,007
Less Treasury Stock	(965)	(965)

	$ 171,292	$ 144,573
Accumulated Other Comprehensive Loss	(24,882)	(24,013)
Total Stockholders Equity	$ 146,410	$ 120,560
	$ 632,837	$ 565,443

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

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)

(In Thousands, Except Share and Per Share Data)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
Revenues (Note 10)	$ 495,808	$ 286,336	$ 976,112	$ 577,596
Cost of Operations	472,077	271,966	928,853	549,523
Gross Profit	$ 23,731	$ 14,370	$ 47,259	$ 28,073
General and Administrative Expenses	9,065	9,864	18,808	18,672
INCOME FROM CONSTRUCTION OPERATIONS (Note 10)	**$ 14,666**	**$ 4,506**	**$ 28,451**	**$ 9,401**
Other Expense, Net	(1,407)	(108)	(3,251)	(282)
Interest Expense	(117)	(255)	(308)	(457)
Income before Income Taxes	$ 13,142	$ 4,143	$ 24,892	$ 8,662
(Provision) Credit for Income Taxes (Note 7)	(966)	(525)	(1,495)	6,375
NET INCOME	**$ 12,176**	**$ 3,618**	**$ 23,397**	**$ 15,037**
Less: Accrued Dividends on $21.25 Preferred Stock (Note 9)	(297)	(517)	(594)	(1,048)
Plus: Reversal of Accrued Dividends on $21.25 Preferred Stock based on results of June 2003 tender offer (Note 9)		6,658		6,658
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	$ 11,879	$ 9,759	$ 22,803	$ 20,647
BASIC EARNINGS PER COMMON SHARE (Note 8)	$ 0.51	$ 0.43	$ 0.99	$ 0.91
DILUTED EARNINGS PER COMMON SHARE (Note 8)	$ 0.48	$ 0.41	$ 0.91	$ 0.89
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Note 8):				
BASIC	23,202,323	22,707,487	23,108,128	22,685,931
DILUTED	24,968,477	23,530,252	24,930,902	23,104,336

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 SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(In Thousands)

	SIX MONTHS ENDED JUNE 30,	
	2004	**2003**
Cash Flows from Operating Activities:		
Net income	$ 23,397	$ 15,037
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	2,838	1,667
Cash used by changes in components of working capital other than cash, current maturities of long-term debt and deferred tax asset	(5,652)	(4,656)
Net deferred tax asset	238	(7,000)
Other long-term liabilities	79	(123)
Other non-cash items, net	(615)	(34)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	$ 20,285	$ 4,891
Cash Flows from Investing Activities:		
Acquisition of James A. Cummings, Inc., net of cash balance acquired	$	$ (8,613)
Acquisition of property and equipment	(2,792)	(3,508)
Proceeds from sale of property and equipment	858	178
Proceeds from land held for sale, net	423	778
Proceeds from sale of marketable securities		380
Proceeds from other investing activities	108	80
NET CASH USED BY INVESTING ACTIVITIES	$ (1,403)	$ (10,705)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	$ 2,247	$ 14,858
Reduction of long-term debt	(241)	(227)
Purchase of preferred stock pursuant to tender offer (Note 9)		(10,315)
Proceeds from exercise of common stock options and stock purchase warrants	1,463	495
Expenditure for stock registration	(847)	
NET CASH PROVIDED FROM FINANCING ACTIVITIES	$ 2,622	$ 4,811
Net Increase (Decrease) in Cash	$ 21,504	$ (1,003)
Cash at Beginning of Year	67,823	47,031
Cash at End of Period	$ 89,327	$ 46,028
Supplemental Disclosure of Cash Paid During the Period For:		
Interest	$ 307	$ 470

Income taxes	$ 1,280	$ 891

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

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 Article 10 of Regulation S-X 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 for the year ended December 31, 2003 included in the accompanying prospectus. 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 our financial position as of June 30, 2004 and December 31, 2003, results of operations for the three month and six month periods ended June 30, 2004 and 2003, and cash flows for the six month periods ended June 30, 2004 and 2003. The results of operations for the six month period ended June 30, 2004 may not be indicative of the results that may be expected for the year ending December 31, 2004 because our 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 us and our subsidiaries in preparing our consolidated financial statements are set forth in Note (1) to the financial statements for the year ended December 31, 2003 included in the accompanying prospectus. We have made no significant change in these policies during 2004.

(3) ***Stock-Based Compensation***

We account for stock options granted to employees and directors using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income since all stock options granted by us had an exercise price equal to or greater than the fair market value of the underlying common stock on the date of grant. Had we applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, to stock-based employee and director compensation, there would have been no effect on the reported net income or earnings per share for all of the periods presented herein.

(4) ***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 us that are available for general corporate purposes and our 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 us 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 us from our construction joint ventures are then available for general corporate purposes. At June 30, 2004 and December 31, 2003, cash and cash equivalents consisted of the following (in thousands):

	June 30, 2004	Dec. 31, 2003
Corporate cash and cash equivalents (available for general corporate purposes)	$ 59,441	$ 33,426
Company s share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	29,886	34,397
	$ 89,327	$ 67,823

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments***

(a) Mergentime Perini Joint Ventures vs. WMATA Matter

On May 11, 1990, contracts with two joint ventures in which 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 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 TSP, in which Perini is the 40% minority partner and Tutor-Saliba Corporation 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 MTA, seeking to recover costs for extra work required by the MTA in connection with the construction of certain tunnel and station projects. In February 1999 the MTA countered with civil claims under the California False Claims Act against TSP, Tutor-Saliba and Perini jointly and severally. 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 Corporation.

Claims concerning the construction of the MTA projects were tried before a jury in 2001. During trial, the Judge ruled that TSP had failed to comply with the Court s prior discovery orders and the Judge penalized TSP, Tutor-Saliba and Perini for the alleged non-compliance by dismissing all of TSP s claims and by ruling, without a jury finding, that TSP was liable to the MTA for damages on the MTA s counterclaims. The Judge then instructed the jury that TSP was liable to the MTA and charged the jury with the responsibility of determining

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments (continued)***

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

the amount of the damages based on the Judge s ruling. The jury awarded the MTA approximately $29.6 million in damages.

On March 26, 2002, the Judge amended the award, ordering TSP to pay the MTA 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 and the other plaintiffs/defendants in the counterclaim have appealed the Judge s discovery sanction, the subsequent jury award and the amended award. The ultimate financial impact of the Judge s ruling and/or the awards 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 Perini, Tutor-Saliba Corporation, or TSC, the Tutor-Saliba, Perini & Buckley Joint Venture, 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 TSC, Perini and Buckley through two joint venture agreements dated October 28, 1996 and February 11, 1997 (Joint Venture Agreements). 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 plantiffs 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, violations 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. 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 TSC and the joint venture are irresponsible bidders. The defendants intend to file a motion to dismiss the third amended complaint.

TSC is the managing partner of the joint venture and, in December 1997, Perini sold its entire 20% interest in the joint venture to TSC. As part of that sale agreement, TSC 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 plaintiffs 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.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments (continued)***

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

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

Certain of PKC s claims have been presented to a Disputes Review Board, or 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 have MHD comply with the DRB s $17.4 million award. The MHD has appealed the Superior Court decision to the Appeals Court of the Commonwealth of Massachusetts.

The DRB has also ruled on a binding basis that PKC is entitled to additional compensation awards totaling $17.1 million for impacts and inefficiencies caused by MHD to certain of PKC s work. PKC has filed applications in these actions seeking to confirm the awards and MHD has filed civil actions in Massachusetts Superior Court seeking to vacate these awards.

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 has chosen to remove the current DRB members under this provision and those members are in the process of completing hearings on all pending claims. Although the replacement DRB members have been agreed upon, proceedings before the current DRB and the new DRB have been postponed pending completion of the negotiation and mediation discussed below.

The pending claims yet to be decided by the current DRB on a binding basis have an anticipated value of $49.4 million. The remaining claims to be decided by the replacement DRB on a non-binding basis have an anticipated value of $72.6 million.

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. PKC vigorously denies that it submitted any false claims and is cooperating with the Attorney General s Office in the ongoing investigation.

In December 2002, PKC and MHD entered into an agreement to attempt to resolve by negotiation and mediation all of the outstanding claims on the project. As part of the agreement, the MHD recommended for approval by the Massachusetts Turnpike Authority a contract modification that provides for provisional payments to PKC totaling $25 million against PKC s outstanding claims. To date, PKC has received $23.75 million of those provisional payments. The parties also agreed to stay the pending litigation and DRB proceedings during the negotiations. Perini began mediation on all claims in September 2003. Management has made an estimate of the total anticipated cost recovery on this project and it is included in revenue recorded to date. To the extent new facts become known or the final cost recovery included in the claim settlement varies from this estimate, the impact of the change will be reflected in the financial statements at that time.

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments (continued)***

(e) 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 approximately $38 million 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 in the amount of approximately $17.9 million along with the repayment of approximately $22.6 million for alleged advances previously paid to RPJV.

The parties each have revised their statement of damages. RPJV s total claim is approximately $74.0 million. STP s revised claim is now approximately $54.5 million, including its claim for alleged advances already paid.

Arbitration evidentiary hearings have commenced. 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.

(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 Perini s Depositary Shares against certain current and former directors of Perini. This lawsuit is captioned Doppelt, et al. v. Tutor, et al., United States District Court for the District of Massachusetts, No. 02CV12010 (MLW). 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 allege 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 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 motion to dismiss, the Court dismissed the claim under the Massachusetts Consumer Protection Act. The Court did not dismiss the claim for breach for fiduciary duty,

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(5) ***Contingencies and Commitments (continued)***

(f) $21.25 Preferred Shareholders Class Action Lawsuit (continued)

except as such claim relates to the tender offer for the purchase of Perini s Depositary Shares. Pursuant to the Court s April 12, 2004 Order, in May 2004 the plaintiffs filed a third amended complaint and thereafter filed a motion for class certification. The plaintiffs seek damages in an amount not less than $10 million, plus interest, costs, fees and other unspecified damages.

In 2001, a similar lawsuit was filed by some of the same plaintiffs in the United States District Court for the Southern District of New York, which claimed that Perini breached its contract with the holders of Depositary Shares. In 2002, the case was dismissed and upon appeal by the plaintiffs to the United States Court of Appeals for the Second Circuit, the Court of Appeals affirmed the dismissal.

(6) ***Long-term Debt***

In February 2003, the terms of our $45 million credit agreement (the Credit Agreement) were amended to increase the revolving credit facility from $45 million to $50 million; to extend the term of the Credit Agreement from January 2004 to June 2005; to increase the amount of unborrowed revolving commitment available for letters of credit from $5.0 million to $7.5 million; and to adjust certain financial covenants.

(7) ***(Provision) Credit For Income Taxes***

The (provision) credit for income taxes reflects a lower-than-normal tax rate in both 2004 and 2003 due in part to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations. The credit for income taxes for the six months ended June 30, 2003 also includes the recognition of an additional $7.0 million federal tax benefit in accordance with SFAS No. 109, Accounting for Income Taxes, based on the expectation that we will be able to utilize a portion of our net operating loss carryforwards in future years.

(8) ***Per Share Data***

Basic earnings per common share was computed by dividing net income less dividends accrued on the $21.25 Preferred Stock during all periods presented plus the reversal in the second quarter of 2003 of dividends on the $21.25 Preferred Stock previously accrued but no longer required based on the results of the tender offer completed in 2003 (see Note 9) 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 and warrants outstanding on the weighted average number of common shares outstanding.

Options to purchase 380,000 shares of Common Stock at prices ranging from $6.85 to $8.66 per share were outstanding at June 30, 2003 but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the Common Stock. In addition, the effect of the assumed conversion of our Stock Purchase Warrants was antidilutive for the three month and six month periods ended June 30, 2003, and the effect of the assumed conversion of our outstanding $21.25 Preferred Stock into Common Stock was antidilutive for all periods presented.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(9) ***Dividends***

(a) Common Stock

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

(b) $21.25 Preferred Stock

The covenants of our prior credit agreements required us to suspend the payment of quarterly dividends on our $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. In 2003, we completed a tender offer on our $21.25 Preferred Stock whereby we purchased 440,627 Depositary Shares. As a result of this transaction, approximately $7.3 million of previously accrued and unpaid dividends was reversed and restored to Paid-In Surplus in the Consolidated Condensed Balance Sheets. Accordingly, the aggregate amount of dividends in arrears at June 30, 2004 is approximately $10.4 million, which represents approximately $185.94 per share of $21.25 Preferred Stock or approximately $18.59 per Depositary Share and is included in Other Long-term Liabilities in the Consolidated Condensed Balance Sheets. 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 seven annual meetings of stockholders.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(10) ***Business Segments***

The following tables set forth certain business segment information relating to our operations for the three month and six month periods ended June 30, 2004 and 2003 (in thousands):

Six months ended June 30, 2004	Reportable Segments					
	Building	Civil	Management Services	Totals	Corporate	Consolidated Total
Revenues	$ 661,510	$ 63,805	$ 250,797	$ 976,112	$	$ 976,112
Income from Construction Operations	$ 14,682	$ 1,229	$ 17,067	$ 32,978	$ (4,527)*	$ 28,451
Assets	$ 314,719	$ 212,139	$ 23,242	$ 550,100	$ 82,737 **	$ 632,837

Six months ended June 30, 2003	Reportable Segments					
	Building	Civil	Management Services	Totals	Corporate	Consolidated Total
Revenues	$ 415,013	$ 91,258	$ 71,325	$ 577,596	$	$ 577,596
Income from Construction Operations	$ 4,482	$ 1,858	$ 7,375	$ 13,715	$ (4,314)*	$ 9,401
Assets	$ 187,346	$ 198,984	$ 24,120	$ 410,450	$ 38,979 **	$ 449,429

Three months ended June 30, 2004	Reportable Segments					
	Building	Civil	Management Services	Totals	Corporate	Consolidated Total
Revenues	$ 370,072	$ 36,348	$ 89,388	$ 495,808	$	$ 495,808
Income from Construction Operations	$ 9,209	$ 1,032	$ 6,585	$ 16,826	$ (2,160)*	$ 14,666

Three months ended June 30, 2003	Reportable Segments					
	Building	Civil	Management Services	Totals	Corporate	Consolidated Total
Revenues	$ 206,011	$ 45,557	$ 34,768	$ 286,336	$	$ 286,336
Income from Construction Operations	$ 2,989	$ 216	$ 3,666	$ 6,871	$ (2,365)*	$ 4,506

* 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.

Table of Contents

PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(11) ***Employee Pension Plans***

We have a defined benefit pension plan that covers our executive, professional, administrative and clerical employees, subject to certain specified service requirements. We also have 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 our plans. The following table sets forth the net pension cost by component for the three month and six month periods ended June 30, 2004 and 2003 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Service cost benefits earned during the period	$ 535	$ 458	$ 1,071	$ 914
Interest cost on projected benefit obligation	1,196	1,168	2,392	2,337
Expected return on plan assets	(967)	(1,137)	(1,935)	(2,273)
Amortization of prior service costs	9	9	18	18
Recognized actuarial loss	463	167	925	333
Net Pension Cost	$ 1,236	$ 665	$ 2,471	$ 1,329

As previously disclosed in our financial statements for the year ended December 31, 2003, we expected to contribute $4.0 million to the pension plan in 2004. On April 1, 2004, we made the $4.0 million cash contribution and do not plan to make any further contributions to the pension plan in 2004.

Effective June 1, 2004, all benefit accruals under our pension plan were frozen; however, current vested benefits will be preserved. We have evaluated the financial impact of this decision on our 2004 pension expense and results of operations and believe that the financial impact will not be material.

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 the second quarter of 2004. In addition, based upon a re-evaluation of the funded status of our pension plans as of June 1, 2004, we recorded a $0.9 million increase, net of tax, in accumulated other comprehensive loss attributable to the change in the additional minimum pension liability recognized pursuant to SFAS No. 87, Employers Accounting for Pensions.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

This discussion presents information as of and for the three month and six month periods ended June 30, 2004. You should read the following discussion of our results of operations and financial condition together with our unaudited financial statements and related notes contained elsewhere in this prospectus supplement. We also direct your attention to the text under Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 20 of the accompanying prospectus, which presents information as of and for the twelve month periods ended December 31, 2003 and 2002.

Overview

Perini Corporation is 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 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, 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 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, 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.

Significant Accounting Policies

Our significant accounting policies are described in Note 1 of Notes to Consolidated Financial Statements for the years ended December 31, 2003, 2002 and 2001 included in the accompanying prospectus. Our critical accounting policies are also identified and discussed in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in the accompanying prospectus. We have made no significant change in these policies during 2004.

Recent Developments

Move to New York Stock Exchange

On April 1, 2004, our common stock, $1.00 par value, began trading on the New York Stock Exchange under the ticker symbol PCR. Previously, our common stock was listed on the American Stock Exchange. Our $21.25 Convertible Exchangeable Preferred Stock remains listed on the American Stock Exchange.

Secondary Offering Completed

On April 13, 2004, we completed a secondary offering of approximately 5.9 million shares of our common stock at $15.00 per share on behalf of a stockholder group consisting of Blum Capital Partners, L.P., PB Capital Partners, L.P., The Common Fund for Non-Profit Organizations, National Union Fire Insurance Company of Pittsburgh, Pa., a member of American International Group, and The Union Labor Life Insurance Company acting on behalf of its Separate Account P. We did not receive any proceeds of the offering.

Table of Contents

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, 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.

Backlog Analysis for 2004

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 following table provides an analysis of our backlog by business segment for the six month period ended June 30, 2004.

	Backlog at December 31, 2003	New Business Awarded	Revenue Recognized	Backlog at June 30, 2004
		(In thousands)		
Building	$ 896,799	$ 539,840	$ (661,510)	$ 775,129
Civil	305,698	10,725	(63,805)	252,618
Management Services	463,967	47,683	(250,797)	260,853
Total	$ 1,666,464	$ 598,248	$ (976,112)	$ 1,288,600

Results of Operations

Comparison of the Second Quarter of 2004 with the Second Quarter of 2003

Net income increased by $8.6 million, from $3.6 million in 2003 to $12.2 million in 2004, due primarily to the increase in revenues discussed below. In addition, both 2004 and 2003 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.

Revenues for the Three Months Ended June 30,			
2004	2003	Increase (Decrease)	% Change
(In millions)			

Building	$ 370.1	$ 206.0	$ 164.1	79.7%
Civil	36.3	45.5	(9.2)	(20.2)%
Management Services	89.4	34.8	54.6	156.9%
Total	$ 495.8	$ 286.3	$ 209.5	73.2%

Overall revenues increased by $209.5 million (or 73.2%), from $286.3 million in 2003 to $495.8 million in 2004. This increase was due primarily to an increase in building revenues of $164.1 million (or 79.7%), from $206.0 million in 2003 to $370.1 million in 2004, and an increase in management services revenues of $54.6 million (or 156.9%), from $34.8 million in 2003 to $89.4 million in 2004. The increase in building construction revenues was due primarily to the timing of the start up of new projects in the hospitality and gaming market, particularly in California and Nevada, and reflects the significantly higher building segment backlog entering 2004 compared to 2003. The increase in management services revenues is due primarily to the new contracts we were awarded in late 2003 related to the rebuilding of Iraq and Afghanistan. These increases were partly offset by a decrease in civil construction revenues of $9.2 million (or 20.2%), from $45.5 million in 2003 to $36.3 million in 2004. The decrease in revenues from civil construction operations primarily reflects a decreasing backlog of civil construction work as the pace of new contract awards slowed due to a temporary decrease in the number of public works projects available to bid and increased competition from other contractors.

	Income from Construction Operations for the Three Months Ended June 30,			
	2004	2003	Increase (Decrease)	% Change
		(In millions)		
Building	$ 9.2	$ 3.0	$ 6.2	206.7%
Civil	1.0	0.2	0.8	400.0%
Management Services	6.6	3.7	2.9	78.4%
Subtotal	$ 16.8	$ 6.9	$ 9.9	143.5%
Less: Corporate	(2.1)	(2.4)	(0.3)	(12.5)%
Total	$ 14.7	$ 4.5	$ 10.2	226.7%

Income from construction operations (excluding corporate) increased by $9.9 million (or 143.5%), from $6.9 million in 2003 to $16.8 million in 2004. Building construction income from operations increased by $6.2 million (or 206.7%), from $3.0 million in 2003 to $9.2 million in 2004, due primarily to the increase in revenues discussed above. In addition, building construction income from operations improved due to a $1.1 million decrease in building construction-related general and administrative expenses as one business unit benefited from the impact of certain cost reduction measures instituted during 2003, as well as a greater ability to utilize personnel on projects as a result of the increased number of projects in process. Management services income from operations increased by $2.9 million (or 78.4%), from $3.7 million in 2003 to $6.6 million in 2004, due primarily to the increase in revenues discussed above partly offset by lower gross profit margins in 2004 on projects currently in process. Despite the decrease in revenues discussed above, civil construction income from operations increased by $0.8 million, from $0.2 million in 2003 to $1.0 million in 2004, due primarily to an increase in gains realized from the sale of equipment.

Other expense increased by $1.3 million, from an expense of $0.1 million in 2003 to an expense of $1.4 million in 2004, due primarily to a $0.7 million increase in expenses related to the secondary stock offering completed in April 2004, as well as a $0.2 million increase in the amortization of the intangible asset established in conjunction with the accounting for the acquisition of Cummings in January 2003. Also, in accordance with SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, we recorded a one-time charge of $0.2 million 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.

The provision for income taxes reflects a lower-than-normal tax rate in both 2004 and 2003 due to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations.

Pro Forma Net Income

As mentioned above, our reported net income was $12.2 million and $3.6 million for the three months ended June 30, 2004 and 2003, respectively. Our reported basic earnings per common share were $0.51 and $0.43 for the three months ended June 30, 2004 and 2003, respectively. Our reported diluted earnings per common share were $0.48 and $0.41 for the three months ended June 30, 2004 and 2003, respectively. Assuming an effective income tax rate of 38% and also assuming that we completed our 2003 tender offer for our $21.25 Preferred Stock prior to January 1, 2003, pro forma net income for the three months ended June 30, 2004 would have been $8.1 million, as compared to pro forma net income of $2.6 million for the three months ended June 30,

2003. Similarly, pro forma basic earnings per common share for the three months ended June 30, 2004 would have been $0.34, as compared to pro forma basic earnings per common share of $0.10 for the three months ended June 30, 2003. Pro forma diluted earnings per common share for the three months ended June 30, 2004 would have been $0.31, as compared to pro forma diluted earnings per common share of $0.10 for the three months ended June 30, 2003. The reconciliation of reported net income to pro forma net income for the three months ended June 30, 2004 and 2003 is set forth below.

Comparison of the Six Months Ended June 30, 2004 With the Six Months Ended June 30, 2003

Income before taxes increased by $16.2 million, from $8.7 million in 2003 to $24.9 million in 2004, due primarily to an overall increase in revenues. However, net income increased by only $8.4 million, from $15.0 million in 2003 to $23.4 million in 2004, due primarily to the recognition of an additional $7.0 million federal tax benefit in 2003 based on the expectation that we will be able to utilize a portion of our net operating loss carryforwards in future years. In addition, both 2004 and 2003 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.

	Revenues for the Six Months Ended June 30,			
	2004	2003	Increase (Decrease)	% Change
		(In millions)		
Building	$ 661.5	$ 415.0	$ 246.5	59.4%
Civil	63.8	91.3	(27.5)	(30.1)%
Management Services	250.8	71.3	179.5	251.8%
Total	$ 976.1	$ 577.6	$ 398.5	69.0%

Overall revenues increased by $398.5 million (or 69.0%), from $577.6 million in 2003 to $976.1 million in 2004. This increase was due primarily to an increase in building revenues of $246.5 million (or 59.4%), from $415.0 million in 2003 to $661.5 million in 2004, and an increase in management services revenues of $179.5 million (or 251.8%), from $71.3 million in 2003 to $250.8 million in 2004. The increase in building construction revenues was due primarily to the timing of the start up of new projects in the hospitality and gaming market, particularly in California and Nevada, and reflects the significantly higher building segment backlog entering 2004 compared to 2003. The increase in management services revenues is due primarily to the new contracts we were awarded in late 2003 related to the rebuilding of Iraq and Afghanistan. These increases were partly offset by a decrease in civil construction revenues of $27.5 million (or 30.1%), from $91.3 million in 2003 to $63.8 million in 2004. The decrease in revenues from civil construction operations primarily reflects a decreasing backlog of civil construction work as the pace of new contract awards slowed due to a temporary decrease in the number of public works projects available to bid and increased competition from other contractors.

	Income from Construction Operations for the Six Months Ended June 30,	Increase (Decrease)	% Change

	2004	2003		
		(In millions)		
Building	$ 14.7	$ 4.4	$ 10.3	234.1%
Civil	1.2	1.9	(0.7)	(36.8)%
Management Services	17.1	7.4	9.7	131.1%
Subtotal	$ 33.0	$ 13.7	$ 19.3	140.9%
Less: Corporate	(4.5)	(4.3)	0.2	4.7%
Total	$ 28.5	$ 9.4	$ 19.1	203.2%

Table of Contents

Income from construction operations (excluding corporate) increased by $19.3 million (or 140.9%), from $13.7 million in 2003 to $33.0 million in 2004. Building construction income from operations increased by $10.3 million (or 234.1%), from $4.4 million in 2003 to $14.7 million in 2004, due primarily to the increase in revenues discussed above. In addition, building construction income from operations improved due to a $1.5 million decrease in building construction-related general and administrative expenses as one business unit benefited from the impact of certain cost reduction measures instituted during 2003, as well as a greater ability to utilize personnel on projects as a result of the increased revenues and number of projects in process. Management services income from operations increased by $9.7 million (or 131.1%), from $7.4 million in 2003 to $17.1 million in 2004, due primarily to the increase in revenues discussed above partly offset by a lower gross profit margin in 2004 because 2003 included a profit increase based on favorable cost experience on a fixed price overseas project. Primarily as a result of the decrease in revenues discussed above, civil construction income from operations decreased by $0.7 million, from $1.9 million in 2003 to $1.2 million in 2004. In addition, civil construction income from operations in 2003 included a substantial profit increase on an infrastructure project as a result of favorable resolution of change orders and claims.

Other expense increased by $3.0 million, from an expense of $0.3 million in 2003 to an expense of $3.3 million in 2004, due primarily to a $1.5 million increase in expenses related to the secondary stock offering completed in April 2004, as well as a $1.0 million increase in the amortization of the intangible asset established in conjunction with the accounting for the acquisition of Cummings in January 2003. Also, in accordance with SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, we recorded a one-time charge of $0.2 million in 2004 due to the decision to freeze all benefit accruals under our defined benefit pension plan effective June 1, 2004.

The (provision) credit for income taxes reflects a lower-than-normal tax rate in both 2004 and 2003 due in part to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations. The credit for income taxes in 2003 also includes the recognition of an additional $7.0 million federal tax benefit in accordance with SFAS No. 109, Accounting for Income Taxes, based on the expectation that we will be able to utilize a portion of our net operating loss carryforwards in future years.

Table of Contents

Reconciliation of Reported Net Income to Pro Forma Net Income

As mentioned above, our reported net income was $23.4 million and $15.0 million for the six months ended June 30, 2004 and 2003, respectively. Our reported basic earnings per common share were $0.99 and $0.91 for the six months ended June 30, 2004 and 2003, respectively. Our reported diluted earnings per common share were $0.91 and $0.89 for the six months ended June 30, 2004 and 2003, respectively. Assuming an effective income tax rate of 38% and also assuming that we completed our 2003 tender offer for our $21.25 Preferred Stock prior to January 1, 2003, pro forma net income for the six months ended June 30, 2004 would have been $15.4 million, as compared to pro forma net income of $5.4 million for the six months ended June 30, 2003. Similarly, pro forma basic earnings per common share for the six months ended June 30, 2004 would have been $0.64, as compared to pro forma basic earnings per common share of $0.21 for the six months ended June 30, 2003. Pro forma diluted earnings per common share for the six months ended June 30, 2004 would have been $0.60, as compared to pro forma diluted earnings per common share of $0.21 for the six months ended June 30, 2003. The reconciliation of reported net income to pro forma net income for the three month and six month periods ended June 30, 2004 and 2003 is set forth below:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
	(In thousands, except per share data)			
Reported net income	$ 12,176	$ 3,618	$ 23,397	$ 15,037
Less: (Provision) credit for income taxes	(966)	(525)	(1,495)	6,375
Income before income taxes	13,142	4,143	24,892	8,662
Provision for income taxes assuming 38% effective rate	4,994	1,574	9,459	3,292
Pro forma net income	**$ 8,148**	**$ 2,569**	**$ 15,433**	**$ 5,370**
Less: Dividends accrued on Preferred Stock assuming the tender offer took place prior to January 1, 2003	(297)	(297)	(594)	(594)
Pro forma total available for common stockholders	$ 7,851	$ 2,272	$ 14,839	$ 4,776
Pro forma basic earnings per common share	**$ 0.34**	**$ 0.10**	**$ 0.64**	**$ 0.21**
Pro forma diluted earnings per common share	**$ 0.31**	**$ 0.10**	**$ 0.60**	**$ 0.21**
Weighted average common shares outstanding:				
Basic	23,202	22,707	23,108	22,686
Effect of dilutive stock options and warrants outstanding	1,766	823	1,823	418
Diluted	24,968	23,530	24,931	23,104

To supplement our unaudited consolidated financial statements presented on a generally accepted accounting principles (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

We have a $50 million revolving credit facility (the Credit Facility) which is scheduled to expire in June 2005. Amounts due in June 2005, if not extended or repaid, convert to a three-year term loan. Management believes that the Credit Facility provides us with the flexibility to provide the working capital needed to support the anticipated growth of our construction activities. At June 30, 2004, we had $47.2 million available to borrow under the Credit Facility.

The Credit Facility requires, among other things, maintaining a minimum working capital ratio, tangible net worth and operating profit levels, and fixed charge coverage minimums. The terms of our Credit Facility also prohibit us from incurring additional indebtedness without the consent of our lenders, other than financing for our corporate headquarters, insurance premiums and construction equipment, as well as limitations on the purchase and sale of assets outside of the normal course of business. Our obligations under our Credit Facility are guaranteed by substantially all of our current and future subsidiaries, and secured by substantially all of our and our subsidiaries assets, including a pledge of all of the capital stock of our subsidiaries.

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 their 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 June 30, 2004 and December 31, 2003, cash held by us and available for general corporate purposes was $59.4 million and $33.4 million, respectively, and our proportionate share of cash held by joint ventures and available only for joint venture-related uses was $29.9 million and $34.4 million, respectively.

A summary of cash flows for each of the six month periods ended June 30, 2004 and 2003 is set forth below:

	Six Months Ended June 30,	
	2004	2003
	(In millions)	
Cash flows from:		
Operating activities	$ 20.3	$ 4.9
Investing activities	(1.4)	(10.7)
Financing activities	2.6	4.8
Net increase (decrease) in cash	$ 21.5	$ (1.0)
Cash at beginning of year	67.8	47.0
Cash at end of period	$ 89.3	$ 46.0

During the first six months of 2004, we generated $20.3 million in cash flow from operating activities and $2.6 million in cash flow from financing activities, primarily from a $2.0 million net increase in debt, to fund $1.4 million in cash flow used by investing activities, primarily to acquire construction equipment and to increase our balance of cash on hand. As a result, our consolidated cash balance increased by $21.5 million, from $67.8 million at December 31, 2003 to $89.3 million at June 30, 2004.

Working capital increased from $125.4 million at the end of 2003 to $152.0 million at June 30, 2004. The current ratio increased slightly, from 1.31x to 1.35x during the same period. As of June 30, 2004, accounts

Table of Contents

receivable amounted to $382.9 million and comprised approximately 65% of our total current assets. This compares to accounts receivable of $328.0 million, or approximately 62% of our total current assets, at December 31, 2003.

The amount of unbilled work decreased by $11.9 million, from $116.6 million at December 31, 2003 to $104.7 million at June 30, 2004, due primarily to the timing of certain contract billings.

Long-term Debt

Long-term debt at June 30, 2004 was $9.0 million, an increase of $0.5 million from December 31, 2003. The long-term debt to equity ratio was .06x at June 30, 2004, compared to .07x at December 31, 2003.

Dividends

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

The covenants in our prior credit agreements required us to suspend the payment of quarterly dividends on our $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. The aggregate amount of dividends in arrears is approximately $10.4 million as of June 30, 2004.

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 Preferred Stock. 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.

We are pursuing a strategy of expanding our construction business internally and through acquisitions, both of which will likely require additional capital.

Forward-looking Statements

The statements contained in this Management s Discussion and Analysis of the Consolidated Condensed Financial Statements and other sections of this prospectus supplement and the accompanying 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 us or our management s expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the continuing validity of the underlying assumptions and estimates of total forecasted project revenues, costs and profits and project schedules; the outcomes of pending or future litigation, arbitration or other dispute resolution proceedings; the availability of borrowed funds on terms acceptable to us; the ability to retain certain members of management; the ability to obtain surety bonds to secure our performance under certain construction contracts; possible labor disputes or work stoppages within the construction industry; changes in federal and state appropriations for infrastructure projects; possible changes or developments in worldwide or domestic political, social, economic, business, industry, market and regulatory conditions or circumstances; and actions taken or not taken by third parties including our customers, suppliers, business partners, and competitors and legislative, regulatory, judicial and other governmental authorities and officials; and other risks and uncertainties discussed under the heading Risk Factors in this prospectus supplement and 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.

Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in our exposure to market risk since December 31, 2003 as described in the section entitled Quantitative and Qualitative Disclosures About Market Risk on page 36 of the accompanying prospectus.

Table of Contents

11,404,409 Shares

Common Stock

The shares of common stock are being sold by the selling stockholders listed on page 61 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 July 9, 2004, was $10.92 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 72 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 July 21, 2004.

Table of Contents

TABLE OF CONTENTS

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*. 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	11,404,409 shares
Common stock outstanding before and after this offering	23,209,285 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 June 30, 2004 and excludes:

- 2,708,800 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price per share of $5.01;
- 195,634 shares of common stock reserved for future awards under our Special Equity Incentive Plan;
- 1,000,000 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); and
- 369,600 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 Management s Discussion and Analysis of Financial Condition and Results of Operations and Selected Historical 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, 2003, 2002 and 2001, and as of December 31, 2003 and 2002, are derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data for the years ended December 31, 2000 and 1999 and as of December 31, 2001, 2000 and 1999 are derived from our audited financial statements not included in this prospectus. The summary consolidated financial data for the three months ended March 31, 2004 and 2003 and as of March 31, 2004 and 2003 are derived from our unaudited consolidated condensed financial statements included elsewhere in this prospectus. Backlog and new business awarded are not measures defined in generally accepted accounting principles and have not been derived from our consolidated financial statements. In the opinion of management, the unaudited consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the information set forth therein. The historical results are not necessarily indicative of our future results of operations or financial performance and the results for the three months ended March 31, 2004 should not be considered indicative of results expected for the full year.

	Three Months Ended March 31,		**Year Ended December 31,**				
	2004	**2003**	**2003**	**2002**	**2001**	**2000**	**1999**
	(unaudited)		**(in thousands, except per share data)**				
Statement of Operations Data							
CONTINUING OPERATIONS:							
Revenues	$ 480,304	$ 291,260	$ 1,374,103	$ 1,085,041	$ 1,553,396	$ 1,105,660	$ 1,019,484
Cost Of Operations	456,776	277,557	1,303,851	1,026,391	1,495,834	1,053,328	969,015
Gross Profit	23,528	13,703	70,252	58,650	57,562	52,332	50,469
G&A Expense	9,743	8,808	39,762	32,770	28,061	24,977	26,635
Income From Construction Operations	13,785	4,895	30,490	25,880	29,501	27,355	23,834
Other (Income) Expense, Net	1,844	174	(1,435)	520	227	(949)	(72)
Interest Expense	191	202	1,003	1,485	2,006	3,966	7,128
Income Before Income Taxes	11,750	4,519	30,922	23,875	27,268	24,338	16,778
(Provision) Credit For Income Taxes	(529)	6,900	13,096	(801)	(850)	43	(421)
Income From Continuing Operations	**11,221**	**11,419**	**44,018**	**23,074**	**26,418**	**24,381**	**16,357**
Loss From Discontinued Operations							(100,005)
Net Income (Loss)	**$ 11,221**	**$ 11,419**	**$ 44,018**	**$ 23,074**	**$ 26,418**	**$ 24,381**	**$ (83,648)**
Income Available For Common Stockholders (1)	$ 10,924	$ 10,888	$ 49,619	$ 20,949	$ 24,293	$ 7,299	$ (89,917)
Per Share Of Common Stock:							
Basic Earnings (Loss):							
Income From Continuing Operations	$ 0.47	$ 0.48	$ 2.18	$ 0.92	$ 1.07	$ 0.39	$ 1.80
Loss From Discontinued Operations							(17.84)
Total	$ 0.47	$ 0.48	$ 2.18	$ 0.92	$ 1.07	$ 0.39	$ (16.04)
Diluted Earnings (Loss):							

Income From Continuing Operations	$ 0.44	$ 0.48	$ 2.10	$ 0.91	$ 1.04	$ 0.39	$ 1.80
Loss From Discontinued Operations							(17.84)
Total	$ 0.44	$ 0.48	$ 2.10	$ 0.91	$ 1.04	$ 0.39	$ (16.04)
Weighted Average Common Shares Outstanding:							
Basic	23,014	22,664	22,763	22,664	22,623	18,521	5,606
Diluted	24,893	22,678	23,583	22,939	23,442	18,527	5,606

Table of Contents

	Three Months Ended March 31,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(unaudited)		(in thousands, except per share data)				
Balance Sheet Data (end of period):							
Total Assets	$ 620,105	$ 456,054	$ 565,443	$ 402,389	$ 501,241	$ 487,478	$ 385,767
Working Capital	153,484	108,369	125,397	115,908	93,369	80,477	48,430
Long-term Debt, Less Current Maturities	19,067	13,745	8,522	12,123	7,540	17,218	41,091
Stockholders Equity (Deficit)	133,873	97,537	120,560	86,649	79,408	60,622	(36,618)
Other Data:							
Depreciation and Amortization	$ 1,720	$ 832	$ 3,389	$ 3,202	$ 2,602	2,191	$ 3,342
Capital Expenditures	1,651	3,190	5,399	4,510	4,528	1,793	1,599
Backlog (end of period) (2)	1,451,256	991,844	1,666,464	990,175	1,213,535	1,788,731	1,658,077
New Business Awarded (3)	265,096	292,929	2,050,392	861,681	978,200	1,236,314	1,445,305

(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 generally accepted accounting principles, 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, including the legal proceedings described under Business Legal Proceedings. Some of these proceedings involve claims and judgments against us for significant amounts. For example, the litigation with the Los Angeles MTA has resulted in an award against the Tutor-Saliba-Perini joint venture (a joint venture in which we have a 40% interest), Tutor-Saliba and us, jointly and severally, for $63.0 million plus accrued interest. This award is currently being appealed by the joint venture. We do not believe that this 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 client even if the client 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 client agrees that the work performed qualifies as extra work, the price the client is willing to pay for the extra work. Even when the client 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 client.

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 partners, pursuing a series of claims

Table of Contents

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. See Business Legal Proceedings.

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 27% of our revenues for the three months ended March 31, 2004 were derived from our work on projects located outside of the United States. We expect non-U.S. projects to continue to contribute significantly 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 re-construction activities in Iraq and Afghanistan. The United States federal government has recently approved a spending bill 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.

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.

Table of Contents

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 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 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 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 15% of our revenues for the three months ended March 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 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

Table of Contents

estimated revenue for the contract. Estimated contract losses are recognized in full when determined. Contract revenue and total cost estimates are reviewed and revised at a minimum on a quarterly basis as the work progresses and as change orders are approved, and adjustments based upon the percentage of completion are 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 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 Regulation, 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 a subcontractor 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 clients generally can terminate or modify their contract with us at their convenience and some government contracts must be renewed annually. If a government client terminates or fails to renew a contract, our backlog may be reduced. If a government client 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, 2003, our pension plan was underfunded by approximately $37.2 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. In April 2004, we made our estimated 2004 contribution of $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 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 and Note 11 of Notes to Consolidated Condensed Financial Statements for the three months ended March 31, 2004.

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 may be unable to obtain surety bonds, which could adversely affect our 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 owns approximately 12.7% of our outstanding common stock. Mr. Tutor also devotes a substantial amount of time to the business activities of Tutor-Saliba. Tutor-Saliba is engaged in the construction industry, and, as described under Certain Transactions, 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, such as the litigation described under Business Legal Proceedings, 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, cleanup 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. 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 any 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 March 31, 2004 was $57.2 million.

Our credit facility contains financial covenants that require us to maintain specified working capital, tangible net worth and operating profit levels. Our credit facility also requires us to comply with a minimum interest coverage 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 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. Also, under our credit facility, we must obtain the consent of our lenders to incur any amount of additional debt from other sources. 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 new contracts could 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 revenue 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 March 31, 2004, our backlog was approximately $1,451.3 million. 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 revenues 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.

Under the terms of our $21.25 Preferred Stock, the holders of shares of our $21.25 Preferred Stock are entitled to receive an annual cash dividend of $21.25 per share when and as declared by the Board of Directors out of funds legally available for such purposes. We have not paid dividends on our $21.25 Preferred Stock 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 they have done so at each of our last seven annual meetings of stockholders. We are currently in litigation with certain holders of our $21.25 Preferred Stock. See Management s Discussion and Analysis of Financial Condition and Results of Operations Dividends and Business Legal Proceedings $21.25 Preferred Shareholders Class Action Lawsuit. If this litigation results in a final judgment against us, and such adverse judgment is significant, it would have a material adverse effect on our financial position.

Our acquisition strategy involves a number of risks, 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 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 June 30, 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 11.7 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

Table of Contents

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.

Through June 30, 2004, the average daily trading volume during 2004 for our common stock as reported by the New York Stock Exchange was approximately 164,300 shares. Even if we achieve a wider dissemination by means of the shares offered pursuant to this prospectus, 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:

- 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.

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.

Table of Contents

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 June 30, 2004, the percentage of shares of our common stock owned by our executive officers, directors and 5% stockholders is approximately 50%. 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 Perini s or our management s expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, 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 2004 (through July 9, 2004), 2003, and 2002 are summarized below:

	High	Low
Year Ending December 31, 2002		
First Quarter	$ 7.28	$ 5.75
Second Quarter	6.40	3.40
Third Quarter	4.58	3.50
Fourth Quarter	4.44	3.00
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 (through July 9, 2004)	11.50	10.55

On July 9, 2004, the closing sale price of our common stock as reported on the New York Stock Exchange was $10.92 per share. At July 6, 2004, there were 1,004 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 March 31, 2004 (in thousands, except share data). We have not provided an adjusted capitalization table because we will not receive any of the 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 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	2,725
Total short-term debt	$ 2,725
Long-term debt:	
Mortgages on real estate	$ 8,359
Revolving credit loans (1)	10,000
Other indebtedness	708
Total long-term debt	19,067
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	2,055
Common stock, $1.00 par value	
Authorized 40,000,000 shares (2)	
Issued 23,245,478 shares (2)	23,246
Paid-in surplus (2)	92,563
Retained earnings	40,931
Less common stock in treasury, at cost 60,529 shares (2)	(965)
Accumulated other comprehensive loss	(24,013)
Total stockholders equity	133,873
Total capitalization	$ 152,940

(1) The revolving credit facility provides for revolving loans up to a maximum of $50 million to June 20, 2005, at which time any amounts unpaid convert to a three-year term loan with equal quarterly principal payments. The weighted average interest rate at March 31, 2004 was 4.0%.

(2) As of March 31, 2004, we had 23,184,949 shares outstanding. As of March 31, 2004, options to purchase 2,726,000 shares of our common stock were outstanding and 195,634 shares were available for future awards under our Special Equity Incentive Plan. In addition, as of March 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 386,400 shares of common stock reserved for issuance upon exercise of stock purchase warrants at an exercise price of $8.30 per share.

17

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data shown below for the five-year period ended December 31, 2003 has been derived from our consolidated financial statements audited by Deloitte & Touche LLP (four-year period ended December 31, 2003) and by Arthur Andersen LLP (one-year period ended December 31, 1999), our current and former independent auditors, respectively.

The information for the three months ended March 31, 2004 and 2003 has been derived from unaudited consolidated condensed financial statements and, in our opinion, includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly such financial information in accordance with generally accepted accounting principles applied on a consistent basis. Our results are generated from a limited number of significant active construction projects. Consequently, quarterly results can vary depending on the timing of progress and changes in the estimated profitability of the projects being reported. For the foregoing and other reasons, results for the three months ended March 31, 2004 may not necessarily be indicative of results to be expected for the full year ended December 31, 2004. Backlog and new business awarded are not measures defined in generally accepted accounting principles 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.

	Three Months Ended March 31,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(unaudited)		(in thousands, except per share data)				
Statement of Operations Data:							
CONTINUING OPERATIONS:							
Revenues	$ 480,304	$ 291,260	$ 1,374,103	$ 1,085,041	$ 1,553,396	$ 1,105,660	$ 1,019,484
Cost Of Operations	456,776	277,557	1,303,851	1,026,391	1,495,834	1,053,328	969,015
Gross Profit	23,528	13,703	70,252	58,650	57,562	52,332	50,469
G&A Expense	9,743	8,808	39,762	32,770	28,061	24,977	26,635
Income From Construction Operations	13,785	4,895	30,490	25,880	29,501	27,355	23,834
Other (Income) Expense, Net	1,844	174	(1,435)	520	227	(949)	(72)
Interest Expense	191	202	1,003	1,485	2,006	3,966	7,128
Income Before Income Taxes	11,750	4,519	30,922	23,875	27,268	24,338	16,778
(Provision) Credit For Income Taxes	(529)	6,900	13,096	(801)	(850)	43	(421)
Income From Continuing Operations	**11,221**	**11,419**	**44,018**	**23,074**	**26,418**	**24,381**	**16,357**
Loss From Discontinued Operations							(100,005)
Net Income (Loss)	**$ 11,221**	**$ 11,419**	**$ 44,018**	**$ 23,074**	**$ 26,418**	**$ 24,381**	**$ (83,648)**
Income Available For Common Stockholders (1)	$ 10,924	$ 10,888	$ 49,619	$ 20,949	$ 24,293	$ 7,299	$ (89,917)
Per Share Of Common Stock:							
Basic Earnings (Loss):							
Income From Continuing Operations	$ 0.47	$ 0.48	$ 2.18	$ 0.92	$ 1.07	$ 0.39	$ 1.80
Loss From Discontinued Operations							(17.84)

Total	$ 0.47	$ 0.48	$ 2.18	$ 0.92	$ 1.07	$ 0.39	$ (16.04)
Diluted Earnings (Loss):							
Income From Continuing Operations	$ 0.44	$ 0.48	$ 2.10	$ 0.91	$ 1.04	$ 0.39	$ 1.80
Loss From Discontinued Operations							(17.84)
Total	$ 0.44	$ 0.48	$ 2.10	$ 0.91	$ 1.04	$ 0.39	$ (16.04)
Weighted Average Common Shares Outstanding:							
Basic	23,014	22,664	22,763	22,664	22,623	18,521	5,606
Diluted	24,893	22,678	23,583	22,939	23,442	18,527	5,606

18

Table of Contents

	Three Months Ended March 31,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(unaudited)		(in thousands, except per share data)				
Balance Sheet Data (end of period):							
Total Assets	$ 620,105	$ 456,054	$ 565,443	$ 402,389	$ 501,241	$ 487,478	$ 385,767
Working Capital	153,484	108,369	125,397	115,908	93,369	80,477	48,430
Long-term Debt, Less Current Maturities	19,067	13,745	8,522	12,123	7,540	17,218	41,091
Stockholders Equity (Deficit)	133,873	97,537	120,560	86,649	79,408	60,622	(36,618)
Redeemable Series B Cumulative Convertible Preferred Stock							37,685
Other Data:							
Depreciation and Amortization	$ 1,720	$ 832	$ 3,389	$ 3,202	$ 2,602	$ 2,191	$ 3,342
Capital Expenditures	1,651	3,190	5,399	4,510	4,528	1,793	1,599
Backlog (end of period) (2)	1,451,256	991,844	1,666,464	990,175	1,213,535	1,788,731	1,658,077
New Business Awarded (3)	265,096	292,929	2,050,392	861,681	978,200	1,236,314	1,445,305

(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 generally accepted accounting principles, 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.

Recent Developments

New Contract Awards

In December 2003, our task order with the U.S. Army Corps of Engineers (COE) for additional power restoration work in Iraq was increased from an award of $66 million to a total task order value of $357 million. The task order was awarded under our contingent contract with COE s Transatlantic Programs Center to provide design-build, general construction and operations and maintenance services in the U.S. Central Command s area of operations. The maximum potential value of the contract, which was originally $100 million, has been increased to $500 million, subject to identification and award of specific contract task orders.

On January 14, 2004**,** we were awarded a new contract for the COE Transatlantic Programs Center. The contract is an indefinite-delivery/indefinite-quantity (IDIQ) contract for design and construction work throughout the U.S. Central Command Area of Responsibility which includes 25 countries, including Iraq and Afghanistan. The maximum potential value of the contract is $1.5 billion, with a maximum value of $500 million for the base year and $250 million each for four option years, subject to identification and award of specific contract task orders.

On March 12, 2004, we were awarded a new IDIQ contract to design and build electrical transmission and distribution systems in southern Iraq over five years. The contract has a maximum potential value of $500 million, subject to identification and award of specific contract task orders.

Move to New York Stock Exchange

On 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 Convertible Exchangeable Preferred Stock remains listed on the American Stock Exchange.

Secondary Offering Completed

In April 2004, we completed 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 acting on behalf of its Separate Account P.

Amendments to Revolving Credit Facility

In February 2003, the terms of our existing revolving credit facility were amended to, among other things, increase the revolving credit facility from $45 million to $50 million and to extend the term of our credit facility from January 2004 to June 2005. The credit facility, as amended, provides us with greater flexibility in providing the working capital needed to support the anticipated growth of our construction activities. On November 5, 2003 and January 31, 2004, the terms of our revolving credit facility were further amended to provide a temporary $20 million increase in the revolving credit facility from $50 million to $70 million until April 30, 2004, to support the procurement requirements of a major project. At March 31, 2004, we had $57.2 million available to borrow under our credit facility.

Results of Tender Offer for our $21.25 Preferred Stock

On June 9, 2003, we completed a tender offer for our $2.125 Depositary Convertible Exchangeable Preferred Shares, or Depositary Shares, each of which represent 1/10th of a share of $21.25 Convertible Exchangeable Preferred Stock, or the $21.25 Preferred Stock. As a result of this transaction, we purchased 440,627 of our Depositary Shares (representing approximately 44.1% of the outstanding $21.25 Preferred Stock) at a purchase price of $25.00 per Depositary Share, net to the seller without interest. See Note 8 of Notes to Consolidated Financial Statements. Including related expenses, this transaction resulted in an $11.3 million decrease in stockholders equity. Also as a result of this transaction, approximately $7.3 million of previously accrued and unpaid dividends on the $21.25 Preferred Stock were reversed and restored to paid-in surplus in the Consolidated Balance Sheets. Since these accrued dividends had previously been deducted from net income in the computation of earnings per share in prior years, the reversal of these accrued dividends resulted in the addition of $7.3 million to income available for common stockholders in the computation of earnings per share for the year ended December 31, 2003.

Backlog Analysis for 2004 First Quarter

The following table provides an analysis of our backlog by business segment for the three month period ended March 31, 2004:

	Backlog at December 31, 2003	**New Business Awarded**	**Revenue Recognized**	**Backlog at March 31, 2004**
		(in thousands)		
Building	$ 896,799	$ 303,926	$ (291,438)	$ 909,287
Civil	305,698	4,239	(27,458)	282,479
Management Services	463,967	(43,069)	(161,408)	259,490
Total	$ 1,666,464	$ 265,096	$ (480,304)	$ 1,451,256

Critical Accounting Policies

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

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

Table of Contents

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 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 March 31, 2004 and December 31, 2003 and 2002 is summarized below:

	March 31, 2004	December 31, 2003	December 31, 2002
		(in thousands)	
Unapproved Change Orders	$ 16,922	$ 17,936	$ 30,289
Claims	63,141	64,515	62,776
Total	$ 80,063	$ 82,451	$ 93,065

There may not be a direct relationship between fluctuations in unapproved change orders and claims and fluctuations in revenues. Approximately 80% of unapproved change orders and claim revenue included in unbilled work at March 31, 2004 relate to our civil construction business. The large, complex nature of civil construction in major metropolitan areas (such as Boston and New York) and the form of contract used by many state and local government agencies tend to result in more frequent change order activity, often leading to significant amounts of unapproved change orders and/or claims. State and local government agencies are frequently reluctant to enter into negotiations to resolve the change orders and claims prior to the completion of the project. Therefore it is not unusual for large change orders and/or claims in state and local government public works contracts to take two to three years, or longer, to reach resolution. Many projects that have amounts included in unbilled work at the beginning of the year may still be under construction at the end of the year and, in some cases, the amount of unapproved change orders and/or claim revenue on a project may actually increase. In addition, our building construction business, which typically does not involve large amounts of unbilled work, could experience a significant revenue change while having little impact on the level of unapproved change orders and claims. In summary, the actual level of unapproved change orders and claims included in unbilled work is primarily a function of the volume of civil construction work, the stage of completion of projects involved in unapproved change orders and claims activity, the type of contract and the customer.

Of the balance of unapproved change orders and claims included in unbilled work at March 31, 2004, December 31, 2003 and December 31, 2002, approximately $36.0 million, $36.0 million and $40.0 million, respectively, are amounts subject to pending litigation or dispute resolution proceedings as described in Business Legal Proceedings and Notes, 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 the 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. For a further discussion of unapproved change orders and claims, see Business Types of Contracts and The Contract Process. Profit from unapproved change orders and claims is recorded in the 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 Business Legal Proceedings and Note 2, Contingencies and Commitments, of Notes to Consolidated Financial Statements. The prerequisite for billing 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, 2003 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 assets 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, or 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.

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.

Finally, we believed that the use of NOLs might be limited by Section 382 of the Internal Revenue Service Code, or Section 382, based on future changes in ownership not within our control following our equity recapitalization in March 2000. We believed that this issue would be resolved with the passage of the three year testing period in March 2003.

During the first quarter of 2003, we reduced the valuation allowance by $7.0 million and recognized a $7.0 million tax benefit based on the expectation that we would be able to utilize at least a portion of the previously unrecognized NOLs due to the impact of not having a Section 382 restriction as of the end of the three-year testing period. During the fourth quarter of 2003, we further reduced the valuation allowance by $7.9 million based on the expectation that we would be able to utilize an additional amount of our NOLs in future years due to a significant increase in backlog as a result of a robust new work acquisition period experienced during the second half of 2003.

As of December 31, 2003, management estimates that a valuation allowance of approximately $8.4 million was required to reduce the deferred tax assets, primarily relating to NOLs, to a level we currently believe will be utilized to offset future taxable income based on our current backlog and forecasts. The valuation allowance is required due to our inability to predict on a longer term basis that we will more likely than not acquire the additional amount of profitable new work required to utilize additional NOLs and the ongoing concern that an adverse outcome on one or more of the legal matters referred to above could significantly limit our ability to utilize additional NOLs.

Defined Benefit Retirement Plan The status of our defined benefit pension plan obligations, related plan assets and cost is presented in Note 10 of Notes to Consolidated Financial Statements entitled Employee Benefit Plans. Plan obligations and annual pension expense are determined by actuaries using a number of key assumptions which include, among other things, the discount rate, the estimated future return on plan assets and the anticipated rate of future salary increases. The discount rate of 6.75% used for purposes of computing the 2003 annual pension expense was determined at the beginning of the calendar year based on high-quality corporate bond yields as of that date. We lowered the discount rate used for computing the 2004 annual pension expense to 6.25% due to a decline in high-quality corporate bond yields as of the end of 2003.

The estimated return on plan assets is primarily based on historical long-term returns of equity and fixed income markets according to our targeted allocation of plan assets (70% equity and 30% fixed income). While the weighted estimated return on asset rate has been approximately 9% in recent years, we lowered this rate to 7.5% for 2004 based on recent equity market performance compared to long-term historical averages.

Table of Contents

The plan s accumulated benefit obligation exceeded the fair value of plan assets on December 31, 2003, 2002 and 2001 in amounts greater than the accrued pension liability previously recorded. Accordingly, we increased our accrual by $4.4 million in 2003, $13.7 million in 2002 and $5.9 million in 2001 with the $24.0 million offset to Accumulated Other Comprehensive Loss, a reduction of stockholders equity.

As a result of the expected changes in assumptions for 2004 noted above and asset losses during 2003 and 2002, we anticipate that pension expense will increase from $2.7 million in 2003 to $4.7 million in 2004. We made a $4.0 million cash contribution to the pension plan in April 2004, and we do not plan to make any further contributions to the pension plan in 2004. However, using our current assumptions regarding asset performance and the interest rate environment, our pension plan contributions will likely increase significantly in the future.

Effective June 1, 2004, all benefit accruals under our pension plan were frozen; however, current vested benefits will be preserved. We have not completed the process of evaluating the full financial impact of this decision on our 2004 pension expense and results of operations; however, based on an initial evaluation, we believe that the financial impact of this decision will not be material to our 2004 results of operations.

Related Party Transactions

As a condition to a $30 million equity infusion in January 1997, we entered into an agreement with Tutor-Saliba Corporation, or Tutor-Saliba, a construction company based in California, and Ronald N. Tutor, Chief Executive Officer and sole stockholder of Tutor-Saliba, to provide certain management services. Tutor-Saliba participated in joint ventures with us before the agreement and continues to participate in joint ventures with us after the agreement. Our share of revenue from these joint ventures amounted to $11.2 million, $49.0 million, $48.8 million and $17.9 million for the three months ended March 31, 2004 and for the years ended December 31, 2003, 2002 and 2001, respectively. Primarily as a result of Tutor-Saliba participating in a $40 million equity infusion in March 2000, Tutor-Saliba currently owns approximately 12.7% of our outstanding common stock. Mr. Tutor has been our Chairman and Chief Executive Officer since March 2000. For details of compensation to Mr. Tutor, arrangements with Tutor-Saliba and other information on related party transactions, see Note 12 of Notes to Consolidated Financial Statements, Management and Certain Transactions included elsewhere in this prospectus.

Results of Operations

Comparison of the First Quarter of 2004 with the First Quarter of 2003

Income before taxes increased by $7.2 million, from $4.5 million in 2003 to $11.7 million in 2004, due primarily to an overall increase in revenues. However, net income decreased by $0.2 million, from $11.4 million in 2003 to $11.2 million in 2004, due primarily to the recognition of an additional $7.0 million federal tax benefit in 2003 based on the expectation that we will be able to utilize a portion of our net operating loss carryforwards in future years. In addition, both 2004 and 2003 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.

	Revenues for the Three Months Ended March 31,	Increase (Decrease)	% Change

	2004	2003		
	(in millions, except % change data)			
Building	$ 291.4	$ 209.0	$ 82.4	39.4%
Civil	27.5	45.7	(18.2)	(39.8)%
Management Services	161.4	36.6	124.8	341.0%
Total	$ 480.3	$ 291.3	$ 189.0	64.9%

Table of Contents

Overall revenues increased by $189.0 million (or 64.9%), from $291.3 million in 2003 to $480.3 million in 2004. This increase was due primarily to an increase in management services revenues of $124.8 million (or 341.0%), from $36.6 million in 2003 to $161.4 million in 2004, and an increase in building revenues of $82.4 million (or 39.4%), from $209.0 million in 2003 to $291.4 million in 2004. The increase in management services revenues is due primarily to the new contracts we were awarded in late 2003 related to the rebuilding of Iraq and Afghanistan and, to a lesser extent, a higher volume of work on power facilities maintenance projects due to a higher number of scheduled plant shutdowns in 2004 to date. The increase in building construction revenues was due primarily to the timing of the start up of new projects in the hospitality and gaming market, particularly in California and Nevada, and reflects the significantly higher building segment backlog entering 2004 as compared to 2003. These increases were partly offset by a decrease in civil construction revenues of $18.2 million (or 39.8%), from $45.7 million in 2003 to $27.5 million in 2004. The decrease in revenues from civil construction operations primarily reflects a decreasing backlog of civil construction work during 2002 and the first half of 2003 as the pace of new contract awards slowed due to a temporary decrease in the number of public works projects available to bid and increased competition from other contractors when bidding on the reduced level of work available.

	Income from Construction Operations for the Three Months Ended March 31,			
	2004	**2003**	**Increase (Decrease)**	**% Change**
	(in millions, except % change data)			
Building	$ 5.5	$ 1.5	$ 4.0	266.7%
Civil	0.2	1.6	(1.4)	(87.5)%
Management Services	10.5	3.7	6.8	183.8%
Subtotal	$ 16.2	$ 6.8	$ 9.4	138.2%
Less: Corporate	(2.4)	(1.9)	0.5	26.3%
Total	$ 13.8	$ 4.9	$ 8.9	181.6%

Income from construction operations (excluding corporate) increased by $9.4 million (or 138.2%), from $6.8 million in 2003 to $16.2 million in 2004. Management services income from operations increased by $6.8 million (or 183.8%), from $3.7 million in 2003 to $10.5 million in 2004, due primarily to the increase in management services revenues discussed above partly offset by a lower gross profit margin in 2004. The gross profit margin in 2003 included a profit increase based on favorable cost experience on a fixed price overseas project. Building construction income from operations increased by $4.0 million, from $1.5 million in 2003 to $5.5 million in 2004, due primarily to the increase in building construction revenues discussed above. In addition, building construction income from operations improved due to a $0.4 million decrease in building construction-related general and administrative expenses resulting from the impact of certain cost reduction measures instituted at one business unit during 2003, as well as a higher utilization of personnel on projects as a result of the increased revenues and number of projects in process. Primarily as a result of the decrease in civil construction revenues discussed above, civil construction income from operations decreased by $1.4 million, from $1.6 million in 2003 to $0.2 million in 2004. In addition, civil construction income from operations in 2003 included a substantial profit increase on an infrastructure project as a result of favorable resolution of change orders and claims. Income from operations was negatively impacted by a $0.5 million increase in corporate general and administrative expenses, from $1.9 million in 2003 to $2.4 million in 2004, due primarily to an aggregate increase in several items including corporate incentive compensation and certain corporate insurance premium costs.

Other expense increased by $1.6 million, from $0.2 million in 2003 to $1.8 million in 2004, due primarily to a $0.8 million increase in the amortization of the intangible asset established in conjunction with the accounting for the acquisition of Cummings in January 2003, as well as a $0.8 million increase in expenses related to the secondary stock offering which was initiated in the third quarter of 2003.

Table of Contents

The (provision) credit for income taxes reflects a lower-than-normal tax rate in both 2004 and 2003 due in part to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations. The credit for income taxes in 2003 also includes the recognition of an additional $7.0 million federal tax benefit in accordance with SFAS No. 109, Accounting for Income Taxes based on the expectation that we will be able to utilize a portion of our net operating loss carryforwards in future years.

Reconciliation of Reported Net Income to Pro Forma Net Income

Assuming an effective income tax rate of 38% and also assuming that we completed our 2003 tender offer for our $21.25 Preferred Stock prior to January 1, 2003, pro forma net income for the first quarter of 2004 would have been $7.3 million, as compared to pro forma net income of $2.8 million for the first quarter of 2003. Similarly, pro forma basic earnings per common share for the first quarter of 2004 would have been $0.30, as compared to pro forma basic earnings per common share of $0.11 for the first quarter of 2003. Pro forma diluted earnings per common share for the first quarter of 2004 would have been $0.28, as compared to pro forma diluted earnings per common share of $0.11 for the first quarter of 2003. The reconciliation of reported net income to pro forma net income for the three months ended March 31, 2004 and 2003 is set forth below:

	Three Months Ended March 31,	
	2004	**2003**
	(in thousands, except per share data)	
Reported net income	$ 11,221	$ 11,419
Less: (Provision) credit for income taxes	(529)	6,900
Income before income taxes	11,750	4,519
Provision for income taxes assuming 38% effective rate	4,465	1,717
Pro forma net income	**$ 7,285**	**2,802**
Less: Dividends accrued on Preferred Stock assuming the tender offer took place prior to January 1, 2003	(297)	(297)
Pro forma total available for common stockholders	$ 6,988	$ 2,505
Pro forma basic earnings per common share	**$ 0.30**	**$ 0.11**
Pro forma diluted earnings per common share	**$ 0.28**	**$ 0.11**
Weighted average common shares outstanding:		
Basic	23,014	22,664
Effect of dilutive stock options and warrants outstanding	1,879	14
Diluted	24,893	22,678

To supplement our unaudited consolidated financial statements presented on a generally accepted accounting principles (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.

Table of Contents

Comparison of the Year Ended December 31, 2003 with the Year Ended December 31, 2002

Net income for the year ended December 31, 2003 was a record $44.0 million, a 90% increase from the $23.1 million net income recorded in 2002. The overall increase in net income of $20.9 million was due primarily to the recognition of a $14.9 million tax benefit based on the expectation that we will be able to utilize a portion of our net operating loss (NOL) carryforwards in future years. In addition, the record net income in 2003 reflects the impact of an increased volume of work acquired and put in place in 2003, in particular our contract awards in Iraq and Afghanistan, as well as the acquisition of Cummings in January 2003.

Basic earnings per common share were $2.18 for the year ended 2003 compared to $0.92 for the year ended 2002. Diluted earnings per common share were $2.10 for the year ended 2003 compared to $0.91 for the year ended 2002. As discussed above, as a result of the completion of our tender offer on our $21.25 Preferred Stock in June 2003, $7.3 million in previously accrued preferred stock dividends was reversed and added back to income available for common stockholders in the computation of earnings per share for the year ended December 31, 2003. Accordingly, basic and diluted earnings per common share calculations for the year ended December 31, 2003 were favorably impacted by $0.32 and $0.31 per share, respectively, due to the reversal of a pro rata portion of accumulated but unpaid dividends on our $21.25 Preferred Stock as a result of the tender offer completed in 2003.

	Revenues for the Year Ended December 31,		Increase	%
	2003	**2002**	**(Decrease)**	**Change**
	(in millions, except % change data)			
Building	$ 898.2	$ 631.9	$ 266.3	42.1%
Civil	176.9	312.5	(135.6)	(43.4)%
Management Services	299.0	140.6	158.4	112.7%
Total	$ 1,374.1	$ 1,085.0	$ 289.1	26.6%

Overall revenues increased by $289.1 million (or 26.6%), from $1,085.0 million in 2002 to $1,374.1 million in 2003. This increase was due primarily to a increase in building construction revenues of $266.3 million (or 42.1%), from $631.9 million in 2002 to $898.2 million in 2003, due primarily to the impact of the Cummings acquisition in January 2003 and improved new work acquisition results during the second and third quarters of 2003. Management services revenues increased by $158.4 million (or 112.7%), from $140.6 million in 2002 to $299.0 million in 2003, due primarily to the new contracts we were awarded in 2003 related to the rebuilding of Iraq and Afghanistan. These increases were partly offset by a decrease in civil construction revenues of $135.6 million (or 43.4%), from $312.5 million in 2002 to $176.9 million in 2003. The decrease in revenues from civil construction operations primarily reflects the decrease in our year-end backlog at December 31, 2002 compared to the year-end backlog at December 31, 2001, as the pace of new contract awards slowed during 2002 and the first half of 2003 due to a temporary decrease in the number of public works projects available to bid and increased competition from other contractors when bidding on the reduced level of work available.

	Income from	Increase	%
		(Decrease)	**Change**

	Construction Operations for the Year Ended December 31, 2003	2002		
	(in millions, except % change data)			
Building	$ 12.4	$ 14.5	$ (2.1)	(14.5)%
Civil	3.2	6.4	(3.2)	(50.0)%
Management Services	23.7	11.7	12.0	102.6%
Subtotal	$ 39.3	$ 32.6	$ 6.7	20.6%
Less: Corporate	(8.8)	(6.7)	(2.1)	31.3%
Total	$ 30.5	$ 25.9	$ 4.6	17.8%

Table of Contents

Income from operations (excluding corporate) increased by $6.7 million (or 20.6%), from $32.6 million in 2002 to $39.3 million in 2003. Management services income from operations increased by $12.0 million (or 102.6%), from $11.7 million in 2002 to $23.7 million in 2003, due primarily to the increase in revenues related to the rebuilding of Iraq and Afghanistan. Despite the favorable impact of the Cummings acquisition, building construction income from operations decreased by $2.1 million (or 14.5%), from $14.5 million in 2002 to $12.4 million in 2003. Building construction income from operations was negatively impacted by a $1.0 million increase in building construction-related general and administrative expenses (exclusive of Cummings) primarily in connection with the pursuit of new work opportunities including the opening or expansion of new regional offices in Florida and California. Civil construction income from operations decreased by $3.2 million (or 50.0%), from $6.4 million in 2002 to $3.2 million in 2003, due primarily to the decrease in revenues discussed above partly offset by a higher gross profit margin in 2003 primarily because 2002 included recognition of a $14 million loss on a Central Artery Big Dig joint venture project in Boston, Massachusetts. Income from operations was negatively impacted by a $2.1 million increase in corporate general and administrative expenses, from $6.7 million in 2002 to $8.8 million in 2003, due primarily to an aggregate increase in several items including corporate incentive compensation, outside professional fees relating to the annual audit of the Company s financial statements and to the $21.25 Preferred Shareholders Class Action Lawsuit (see Note 2(f) of Notes to Consolidated Financial Statements), and certain corporate insurance premium costs.

Other (income) expense increased by $1.9 million, from an expense of $0.5 million in 2002 to income of $1.4 million in 2003, due primarily to a $2.2 million net gain recorded from the sale of certain parcels of developed land held for sale. Based on our remaining inventory of developed land held for sale and the anticipated potential selling prices for those parcels, we believe that the net gain recorded in 2003 is of a non-recurring nature and is not indicative of expected future results.

Interest expense decreased by $0.5 million, from $1.5 million in 2002 to $1.0 million in 2003, due to a lower average borrowing level in 2003 as a result of improved cash flow from operations as well as lower interest rates.

The credit for income taxes in 2003 is due primarily to the recognition of a $14.9 million tax benefit in accordance with SFAS No. 109, Accounting for Income Taxes based on the expectation that we will be able to utilize a portion of our NOL carryforwards in future years. In addition, the (provision) credit for income taxes reflects a lower-than-normal tax rate in both years due primarily to the realization of a portion of the federal tax benefit not recognized in prior years due to certain accounting limitations. Also, the provision for income taxes in 2002 reflects the reversal of the federal alternative minimum tax provided in 2001 which was no longer required based on the provisions of the Job Creation and Worker Assistance Act of 2002. As a result of the recognition of the $14.9 million NOL tax benefit, basic and diluted earnings per common share calculations for the year ended December 31, 2003 were favorably impacted by $0.65 and $0.63 per share, respectively.

Table of Contents

Reconciliation of Reported Net Income to Pro Forma Net Income

Assuming an effective income tax rate of 39% and also assuming that we completed our tender offer for our $21.25 Preferred Stock prior to January 1, 2002, pro forma net income for the year ended December 31, 2003 would have been $18.9 million, compared to $14.6 million for the year ended December 31, 2002. Similarly, pro forma basic earnings per share for the year ended December 31, 2003 would have been $0.78, compared to $0.59 for the year ended December 31, 2002. Pro forma diluted earnings per share for the year ended December 31, 2003 would have been $0.75, compared to $0.58 for the year ended December 31, 2002. The reconciliation of reported net income to pro forma net income for the years ended December 31, 2003 and 2002 is set forth in a table below:

	Year Ended December 31,	
	2003	2002
	(in thousands, except per share data)	
Reported net income	$ 44,018	$ 23,074
Less: Credit (provision) for income taxes	13,096	(801)
Income before income taxes	30,922	23,875
Provision for income taxes assuming 39% effective rate	12,060	9,311
Pro forma net income	**$ 18,862**	**$ 14,564**
Less: Dividends accrued on Preferred Stock assuming the tender offer took place prior to January 1, 2002	(1,188)	(1,188)
Pro forma total available for common stockholders	$ 17,674	$ 13,376
Pro forma basic earnings per common share	**$ 0.78**	**$ 0.59**
Pro forma diluted earnings per common share	**$ 0.75**	**$ 0.58**
Weighted average common shares outstanding:		
Basic	22,763	22,664
Effect of dilutive stock options and warrants outstanding	820	275
Diluted	23,583	22,939

To supplement our consolidated financial statements presented on a generally accepted accounting principles (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, loses 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.

Comparison of the Year Ended December 31, 2002 to December 31, 2001

Net income for the year ended 2002 was $23.1 million, a 12.5% decrease from the record $26.4 million net income recorded in 2001. Basic earnings per common share were $0.92 for the year ended 2002 compared to $1.07 for the year ended 2001. Diluted earnings per common share were $0.91 per common share compared to $1.04 for the year ended 2001. Overall, the decrease in 2002 operating results reflected a continued strong but lower profit contribution from the building construction segment and increased profit contributions from both the management services and civil construction segments.

Table of Contents

	Revenues for the Year Ended December 31, 2002	2001	Increase (Decrease)	% Change
	(in millions, except % change data)			
Building	$ 631.9	$ 1,120.1	$ (488.2)	(43.6)%
Civil	312.5	354.0	(41.5)	(11.7)%
Management Services	140.6	79.3	61.3	77.3%
Total	$ 1,085.0	$ 1,553.4	$ (468.4)	(30.2)%

Overall, revenues decreased by $468.4 million (or 30.2%), from $1,553.4 million in 2001 to $1,085.0 million in 2002. This decrease was due primarily to a decrease in building construction revenues of $488.2 million (or 43.6%), from $1,120.1 million in 2001 to $631.9 million in 2002. Civil construction revenues decreased $41.5 million (or 11.7%), from $354.0 million in 2001 to $312.5 million in 2002. The decrease in revenues from building construction operations was due primarily to the decrease in our year-end backlog at December 31, 2001 compared to the record year-end backlog at December 31, 2000, including a decreased volume of work at the Mohegan Sun Project in Connecticut, as well as on two large hotel/casino projects in the southwestern United States, all of which were substantially completed in early 2002. The decrease in revenues from civil construction operations was also due primarily to the decrease in our year-end backlog at December 31, 2001 compared to the record year-end backlog at December 31, 2000. These decreases were partly offset by an increase in management services revenues of $61.3 million (or 77.3%), from $79.3 million in 2001 to $140.6 million in 2002, due primarily to a higher volume of work on power facilities maintenance projects due to a higher number of scheduled plant shutdowns in 2002.

	Income from Construction Operations for the Year Ended December 31, 2002	2001	Increase (Decrease)	% Change
	(in millions, except % change data)			
Building	$ 14.5	$ 26.6	$ (12.1)	(45.5)%
Civil	6.4	3.9	2.5	64.1%
Management Services	11.7	5.0	6.7	134.0%
Subtotal	$ 32.6	$ 35.5	$ (2.9)	(8.2)%
Less: Corporate	(6.7)	(6.0)	(0.7)	11.7%
Total	$ 25.9	$ 29.5	$ (3.6)	(12.2)%

Income from operations (excluding corporate) decreased by $2.9 million (or 8.2%), from $35.5 million in 2001 to $32.6 million in 2002. Building construction income from operations decreased by $12.1 million, from $26.6 million in 2001 to $14.5 million in 2002, due primarily to the decrease in revenues discussed above. This decrease was partly offset by an increase in the average gross margin on building construction contracts from 3.5% in 2001 to 4.7% in 2002, due primarily to favorable close-out experience on several hotel/casino projects in 2002. In addition, building construction income from operations was negatively impacted by a $1.8 million (or 13.7%) increase in building construction-related general and administrative expenses primarily in connection with the pursuit of new work opportunities, including the opening of a new office near Orlando, Florida. Management services income from operations increased by $6.7 million, from $5.0 million in 2001 to $11.7 million in 2002, due primarily to the increase in revenues discussed above as well as favorable cost experience on a fixed price overseas project. Civil construction income from operations increased by $2.5 million, from $3.9 million in 2001 to $6.4 million in 2002, due primarily to favorable cost experience on a fixed price civil infrastructure project in New York City in 2002 as well as recognition of a smaller loss of $14 million in 2002 compared to a $21.4 million loss in 2001 on a Central Artery/Tunnel Big Dig joint venture project in Boston, Massachusetts. In addition, civil construction income from operations was negatively impacted by a $1.2 million (or 20.7%) increase in civil construction-related general and administrative expenses, due primarily to a reduced ability to allocate expenses to various joint ventures as well as an increase in outside legal fees attributable to increased work on pending litigation matters and new work acquisition efforts.

Interest expense decreased by $0.5 million, from $2.0 million in 2001 to $1.5 million in 2002, due primarily to a reduction in the average amount of debt outstanding under our credit facility as well as lower interest rates in 2002.

The lower than normal tax rate for the two year period ended December 31, 2002 is primarily due to the utilization of tax loss carryforwards from prior years. Because of certain accounting limitations, we were not able to recognize a portion of the tax benefit related to the operating losses experienced in fiscal 1999, 1996 and 1995. The net deferred tax assets reflect management s estimate of the amount that will, more likely than not, be realized. See Note 5 of Notes to Consolidated Financial Statements. In addition, the provision for income taxes in 2002 reflects the reversal of the federal alternative minimum tax provided in 2001 that was no longer required based on the provisions of the Job Creation and Worker Assistance Act of 2002.

Liquidity and Capital Resources

Cash and Working Capital

Cash and cash equivalents as reported in the accompanying Consolidated Statements of Cash Flows 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 their 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 March 31, 2004 and December 31, 2003, cash held by us and available for general corporate purposes was $26.7 million and $33.4 million, respectively, and our proportionate share of cash held by joint ventures and available only for joint venture-related uses was $22.0 million and $34.4 million, respectively.

Billing procedures in the construction industry generally are based on the specific billing terms of a contract and are often not correlated with performance. For example, billings may be based on various measures of performance, such as cubic yards excavated, architect s estimates of completion, costs incurred on cost-plus type contracts or weighted progress from a cost loaded construction time schedule. Billings are generally on a monthly basis and are reviewed and approved by the customer prior to submission. Therefore, once a bill is submitted, we are generally able to collect amounts owed to us in accordance with the payment terms of the contract. In addition, contractor s receivables usually include retentions, or amounts that are not due until contracts are completed or until specified contract conditions or guarantees are met. Retentions are governed by contract provisions and are typically a fixed percentage (for example, 5% or 10%) of each billing. We generally follow the policy of paying our vendors and subcontractors on a particular project after we receive payment from our customer.

A summary of our cash flows for the three months ended March 31, 2004 and 2003 and for each of the years ended December 31, 2003, 2002 and 2001 is set forth below:

	Three Months Ended March 31,	Year Ended December 31,

	2004	2003	2003	2002	2001
			(in millions)		
Cash flows from:					
Operating activities	$ (31.4)	$ 30.0	$ 42.6	$ (3.6)	$ (24.3)
Investing activities	(1.4)	(11.3)	(7.9)	(0.6)	(5.5)
Financing activities	13.7	3.4	(13.9)	(5.3)	(9.5)
Net increase (decrease) in cash	$ (19.1)	$ 22.1	$ 20.8	$ (9.5)	$ (39.3)
Cash at beginning of year	67.8	47.0	47.0	56.5	95.8
Cash at end of year	$ 48.7	$ 69.1	$ 67.8	$ 47.0	$ 56.5

Table of Contents

During the first three months of 2004, we used $13.7 million in cash flow from financing activities, primarily from a $12.8 million net increase in debt, and $19.1 million of cash on hand to fund $31.4 million in cash flow used by operating activities, principally to fund working capital requirements, and $1.4 million to fund cash flow used by investing activities, which was primarily used to acquire construction equipment. As a result, our consolidated cash balance decreased by $19.1 million, from $67.8 million at December 31, 2003 to $48.7 million at March 31, 2004.

During 2003, we generated $42.6 million in cash flow from operating activities and $5.0 million in net proceeds from the sale of certain remaining parcels of developed land held for sale to fund the $11.3 million required to complete our tender offer for our Depositary Shares, to reduce debt by a net amount of $3.5 million, as well as to fund a net $12.9 million used by investing activities, primarily for the acquisition of Cummings in January and to acquire construction equipment and an office building and equipment storage facility to be used by our civil construction operations. As a result, our consolidated cash balance increased by $20.8 million, from $47.0 million at December 31, 2002 to $67.8 million at December 31, 2003. As more fully discussed in Note 2(d) of Notes to Consolidated Financial Statements, in the first quarter of 2003, we received our proportionate share of provisional payments against outstanding claims on the Big Dig Project, as a result of an agreement reached in December 2002. Our share of this payment ($13.3 million) was a significant contributor to the $42.6 million in cash flow generated from operating activities in 2003.

During 2002, we used $9.5 million of cash on hand to fund operating activities ($3.6 million), investing activities ($0.6 million), and to reduce debt by a net amount of $5.3 million. The $3.6 million in cash used by operating activities was due primarily to the need to fund working capital requirements on certain joint venture construction contracts where unapproved change orders and/or contract claims remain to be resolved. See Note 1(d) of Notes to Consolidated Financial Statements.

During 2001, we used $39.3 million of cash on hand to fund operating activities ($24.2 million); investing activities ($5.5 million), primarily for the acquisition of property and equipment; and financing activities ($9.5 million), primarily to reduce debt by a net amount of $9.8 million. Cash generated from operating activities decreased from a positive $0.8 million in 2000 to a negative $24.2 million in 2001 due primarily to the need to fund working capital requirements on certain of our construction contracts where unapproved change orders and/or contract claims remain to be resolved. See Note 1(d) of Notes to Consolidated Financial Statements.

Working capital increased, from $125.4 million at the end of 2003 to $153.5 million at March 31, 2004. Our current ratio increased from 1.31x to 1.36x during the same period. Since December 31, 2002, working capital has increased by $37.6 million (or 32%) from $115.9 million to $153.5 million at March 31, 2004, and our current ratio has declined from 1.44x to 1.36x during the same period. As of March 31, 2004, accounts receivable amounted to $418.5 million and comprised approximately 72% of our total current assets. This compares to accounts receivable of $328.0 million, or approximately 62% of our total current assets at December 31, 2003.

The amount of unbilled work decreased by $18.6 million, from $116.6 million at December 31, 2003 to $98.0 million at March 31, 2004, due primarily to the timing of certain contract billings and, to a lesser extent, the resolution of certain unapproved change orders and claim related items.

In January 2002, we entered into an agreement with a new bank group to refinance our existing credit facility with a new $45 million revolving credit facility. In February 2003, the terms of our revolving credit facility were amended to, among other things, increase the revolving credit facility from $45 million to $50 million and to extend the term of our credit facility from January 2004 to June 2005.

The terms of our credit facility require us to meet certain financial covenants, including:

a minimum working capital ratio of current assets over current liabilities equal to 1.20:1;

Table of Contents

a minimum tangible net worth equal to $62 million plus 50% of our consolidated net income for each consecutive two fiscal quarters ending on June 30 and December 31 of each year;

a minimum interest coverage ratio of net operating profit over covered charges (which includes interest expense and current period dividends on our preferred stock) equal to 3:1 for four consecutive fiscal quarters; and

minimum operating profit levels of at least $25 million in the aggregate for four consecutive fiscal quarters.

The terms of our credit facility also prohibit us from incurring any additional indebtedness without the consent of our lenders, other than financing for our corporate headquarters, insurance premiums and construction equipment, and impose limitations on the level of capital expenditures that we may make for a period, as well as the purchase and sale of assets outside of the normal course of business.

Our obligations under our credit facility are guaranteed by substantially all of our current and future subsidiaries, and secured by substantially all of our and our subsidiaries assets, including a pledge of all of the capital stock of our subsidiaries. At March 31, 2004, we had $57.2 million available to borrow under our credit facility and $2.8 million in outstanding letters of credit.

Long-term Debt

Long-term debt at March 31, 2004 was $19.1 million, an increase of $10.6 million from December 31, 2003, due primarily to a higher borrowing level on our credit facility. The long-term debt to equity ratio was .14x at March 31, 2004, compared to .07x at December 31, 2003. Long-term debt at December 31, 2003 was $8.5 million, a decrease of $3.6 million from December 31, 2002, despite our completion in June of a tender offer for our Depositary Shares which required a cash outlay of approximately $11.3 million (including related expenses) and the acquisition of Cummings which required a net cash outlay of approximately $8.6 million. Our long-term debt to equity ratio was .07x at December 31, 2003, compared to .14x at December 31, 2002. Long-term debt was $12.1 million at the end of 2002 as compared to $7.5 million at the end of 2001.

Contractual Obligations

Our outstanding contractual obligations as of December 31, 2003 are summarized in the following table:

	Payments Due by Period (in thousands)				
	Total	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Total debt	$ 9,012(a)	$ 490	$ 634	$ 2,026	$ 5,862
Operating leases, net	12,181	4,279	5,481	1,940	481
Purchase obligations					
Other long-term liabilities:					

Accrued dividends on $21.25 Preferred Stock	9,805				9,805(b)
Employee benefit related liabilities	2,043	158	316	316	1,253
Minimum pension liability adjustments	25,488	4,000	8,000(c)	8,000(c)	5,488(c)
Total contractual obligations	$ 58,529	$ 8,927	$ 14,431	$ 12,282	$ 22,889

(a) Includes capital leases in the amount of $325.

(b) Assumes current policy described below under Dividends $21.25 Preferred Stock does not change during the 5-year period.

(c) Assumes annual pension fund contributions equal to the contribution amount anticipated in 2004.

34

Table of Contents

Stockholders Equity

Our book value per common share was $5.17 at March 31, 2004, compared to $4.65 at December 31, 2003, $2.72 at December 31, 2002 and $2.40 at December 31, 2001. The major factors impacting stockholders equity during the three year and three month period ended March 31, 2004 were the net income recorded, the cost of our tender offer ($11.3 million) completed in June 2003, including the reversal of dividends ($7.3 million) previously accrued related to the preferred stock tendered and, to a lesser extent, preferred stock dividends accrued, and common stock options exercised. Also, we were required to recognize an additional minimum pension liability of approximately $4.4 million in 2003, $13.7 million in 2002 and $5.9 million in 2001 in accordance with SFAS No. 87, Employers Accounting for Pensions which resulted in an aggregate $24.0 million Accumulated Other Comprehensive Loss deduction in stockholders equity. See Note 10 of Notes to Consolidated Financial Statements. Adjustments to the amount of this additional minimum pension liability will be recorded in future years based upon periodic re-evaluation of the funded status of our pension plans.

Dividends

Common Stock

There were no cash dividends declared or paid on our outstanding common stock during the three years ended December 31, 2003 or during the three months ended March 31, 2004.

$21.25 Preferred Stock

The covenants in our prior credit agreements required us to suspend the payment of quarterly dividends on our $21.25 Preferred Stock in 1995 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.

As of December 31, 2002, the aggregate amount of dividends in arrears was approximately $15.4 million, which represented approximately $154.05 per share of $21.25 Preferred Stock or approximately $15.41 per Depositary Share and is included in Other Long-term Liabilities in the Consolidated Balance Sheets. On June 9, 2003, we completed a tender offer for our Depositary Shares pursuant to which we purchased 440,627 Depositary Shares for $25 per share. See Overview Recent Developments. As a result of this transaction, approximately $7.3 million of previously accrued and unpaid dividends was reversed and restored to Paid-in Surplus in the Consolidated Balance Sheets. Accordingly, the aggregate amount of dividends in arrears at March 31, 2004 is approximately $10.1 million, which represents approximately $180.63 per share of $21.25 Preferred Stock or approximately $18.06 per Depositary Share and is included in Other Long-term Liabilities in the Consolidated Balance Sheets. Under the terms of the $21.25 Preferred Stock, the holders of Depositary Shares became entitled to elect two additional Directors once dividends were deferred for more than six quarters, and they have done so at each of the last seven annual meetings of stockholders.

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 Preferred Stock. 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.

We are pursuing a strategy of expanding our construction business internally and through acquisitions, both of which will likely require additional capital. In January 2003, we completed the acquisition of Cummings for $20 million. See Note 3 of Notes to Consolidated Financial Statements.

Table of Contents

Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk for changes in interest rates relates primarily to our revolving credit debt (see Note 4 of Notes to Consolidated Financial Statements) and short-term investment portfolio. During 2003, we had an average daily borrowing of approximately $5.5 million under our revolving credit agreement and $60.0 million of short-term investments classified as cash equivalents as of December 31, 2003.

We borrow under our revolving credit facility for general corporate purposes, including working capital requirements and capital expenditures. Borrowings under the credit facility bear interest at the applicable LIBOR or base rate, as defined, and therefore, we are subject to fluctuations in interest rates. Based on our average effective borrowing rate and our average daily revolving debt balance in 2003, a change of 1% (or 100 basis points) in our effective borrowing rate would result in an increase or decrease in net income and cash flow of approximately $55,000 per year. There was no material change in this analysis for the three months ended March 31, 2004.

Our short-term investment portfolio consists primarily of highly liquid instruments with maturities of three months or less, all classified as cash and cash equivalents in the accompanying Consolidated Financial Statements.

Table of Contents

BUSINESS

General

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 headquarters are in Framingham, Massachusetts, and we have seven other principal offices throughout the United States. Our common stock is currently listed on the New York Stock Exchange under the symbol PCR.

Business Segment Overview

Our business is conducted through three primary segments: building, civil, and management services.

Building Segment

Our building segment, comprised of Perini Building Company and James A. Cummings, Inc., or Cummings, focuses on large, complex projects in the hospitality and gaming, sports and entertainment, educational, transportation and healthcare markets. In January 2003, we acquired Cummings to expand our presence in the southeast region of the United States. Cummings, which is now our wholly owned subsidiary, specializes in the construction of schools, municipal buildings and commercial developments.

Civil Segment

Our civil segment specializes in new public works construction and the repair, replacement and reconstruction of infrastructure, principally in the metropolitan New York and Boston markets. Our civil contracting services include construction and rehabilitation of highways, bridges, light rail transit systems, subways, airports and wastewater treatment facilities. Our customers primarily award contracts through one of two methods: the traditional public competitive bid method, in which price is the major determining factor, or through a request for proposals where contracts are awarded based on a combination of technical capability and price.

Management Services Segment

Our management services segment provides diversified construction, design-build and maintenance services to the U.S. military and government agencies, power suppliers, surety companies and multi-national corporations in the United States and overseas. Most recently, we have been chosen by the federal government for significant projects related to defense and reconstruction projects in Iraq and Afghanistan. For example, we are currently working on the reconstruction of electric power facilities in southern Iraq. In addition, we recently completed a project to construct the entire infrastructure for a 6,000-person base for the new Afghan army and have recently begun construction of similar facilities at another base.

We also provide diversified management services to power producers, surety companies and multi-national corporations. Under a five-year contract expiring at the end of 2006, we provide planning, management, maintenance and modification services at 10 nuclear power generating stations, including 17 operating units. We are also under agreement with a major North American surety company to provide rapid response, contract completion services. Upon notification from the surety of a contractor bond default, we provide management or general contracting services to fulfill the contractual and financial obligations of the surety.

Table of Contents

Markets and Clients

Our construction services are targeted toward end markets that are diversified across project types, client characteristics and geographic locations. Revenues by business segment for the three months ended March 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2003 are set forth below:

	Revenues by Segment				
	Three Months Ended March 31,		Year Ended December 31,		
	2004	2003	2003	2002	2001
			(in thousands)		
Building	$ 291,438	$ 209,002	$ 898,254	$ 631,860	$ 1,120,161
Civil	27,457	45,701	176,877	312,528	353,957
Management Services	161,409	36,557	298,972	140,653	79,278
Total	$ 480,304	$ 291,260			