PERINI CORP
Form POS AM
March 15, 2005
Table of Contents

As filed with the Securities and Exchange Commission on March 15, 2005

Registration Statement No. 333-117344

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT

NO. 2 to

FORM S-1

REGISTRATION STATEMENT

Under

The Securities Act of 1933

PERINI CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Massachusetts	**1542**	**04-1717070**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

73 Mt. Wayte Avenue

Framingham, MA 01701

(508) 628-2000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive office)

Robert Band

President and Chief Operating Officer

Perini Corporation

73 Mt. Wayte Avenue

Framingham, MA 01701

(508) 628-2000

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Richard A. Soden, Esq.

Robert P. Whalen, Jr., Esq.

Goodwin Procter LLP

Exchange Place

Boston, Massachusetts 02109

(617) 570-1000

Fax: (617) 523-1231

Approximate date of commencement of proposed sale to public: From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is used to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

Table of Contents

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 15, 2005

10,341,909 Shares

Common Stock

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

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

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

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

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

The date of this prospectus is , 2005.

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	10,341,909 shares
Common stock outstanding before and after this offering	25,307,928 shares
Dividend policy	We have not paid any cash dividends on our common stock since 1990 and currently do not expect to pay dividends or make any other distributions on such stock in the immediate future.
Use of proceeds	We will not receive any proceeds from the sale of common stock by the selling stockholders.
New York Stock Exchange Symbol	PCR

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

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

- 684,500 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price per share of $4.52;
- 195,634 shares of common stock reserved for future awards under our Special Equity Incentive Plan;
- 300,000 shares of common stock reserved for outstanding restricted stock awards at a weighted average fair value per share of $15.62 and 700,000 shares of common stock reserved for future awards under our 2004 Stock Option and Incentive Plan;
- 370,379 shares of common stock reserved for issuance upon conversion of our $21.25 Preferred Stock at a conversion price of $377.50 per share (or $37.75 per Depositary Share);
- 86,688 shares of common stock reserved for issuance upon exercise of outstanding warrants at an exercise price per share of $8.30, subject to anti-dilution adjustment in the event of certain transactions and other corporate events; and
- up to 559,273 shares of common stock that may be issued in connection with the settlement of the $21.25 Preferred Stock class action lawsuit if such settlement is approved by the court.

Table of Contents

Summary Consolidated Financial Data

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

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

3

Table of Contents

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

(1) Income available for common stockholders includes adjustments to net income for (a) accrued and unpaid dividends on our $21.25 Preferred Stock, or $2.125 Depositary Shares, (b) the reversal of previously accrued and unpaid dividends in the amount of approximately $7.3 million applicable to 440,627 of the $2.125 Depositary Shares purchased and retired by us on June 9, 2003, (c) dividends declared and paid on our Series B Preferred Stock until its exchange for shares of common stock on March 29, 2000 and (d) the $13.7 million assigned to the induced conversion of the Series B Preferred Stock into common stock on March 29, 2000.

(2) A construction project is included in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. Backlog is not a measure defined in accounting principles generally accepted in the United States of America, or GAAP, and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.

(3) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (2) above plus or minus subsequent changes to the estimated total contract price of existing contracts. Management uses new business awarded to assist in forecasting future results.

Table of Contents

RISK FACTORS

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

Risks Relating to Our Business

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

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

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

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

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

Also, these unapproved change orders, contract disputes or claims result in costs being incurred by us that cannot be billed currently and therefore, are reflected as unbilled work in our balance sheet. See Note 1(d) of Notes to Consolidated Financial Statements. To the extent actual recoveries with respect to unapproved change orders, contract disputes or claims are lower than our estimates, the amount of any shortfall will reduce our revenues and the amount of unbilled work recorded on our balance sheet, and could have a material adverse effect on our working capital, results of operations and cash flows. In addition, any delay caused by the extra work may adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates. For example, we are currently, along with our joint venture partners, pursuing a series of claims for additional contract time and compensation against the Massachusetts Highway Department for work performed by the joint venture on a portion of the Central Artery/Tunnel project in Boston, Massachusetts. During construction, the Massachusetts Highway Department ordered the joint venture to perform changes to the work and issued related direct cost changes with an estimated value, excluding time delay and inefficiency costs, in excess of $100 million. In addition, we encountered a number of unforeseen conditions during construction that greatly increased our cost of performance.

Table of Contents

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

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

- political risks, including risks of loss due to civil disturbances, acts of terrorism, acts of war, guerilla activities and insurrection;
- unstable economic, financial and market conditions;
- potential incompatibility with foreign joint venture partners;
- foreign currency controls and fluctuations;
- trade restrictions;
- increases in taxes; and
- changes in labor conditions, labor strikes and difficulties in staffing and managing international operations.

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Our defined benefit pension plan is a non-contributory pension plan covering substantially all of our employees. As of December 31, 2004, our pension plan was underfunded by approximately $32.0 million. We are required to make cash contributions to our pension plan to the extent necessary to comply with minimum funding requirements imposed by employee benefit and tax laws. The amount of any such required contributions is determined based on an annual actuarial valuation of the plan as performed by the plan s actuaries. During 2004, we voluntarily contributed $4.0 million in cash to our defined benefit pension plan. The amount of future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

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

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

- create liens or other encumbrances;
- enter into certain types of transactions with our affiliates;
- make certain capital expenditures;
- make investments, loans or other guarantees;
- sell or otherwise dispose of a portion of our assets; or
- merge or consolidate with another entity.

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

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

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

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

We may require additional financing in order to make future investments, make acquisitions or provide needed additional working capital. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as conditions in our business and our operating results; such factors may impact our efforts to arrange additional financing on terms satisfactory to us. We have pledged substantially all of our assets as collateral in connection with our credit facility. As a result, we may have difficulty obtaining additional financing in the future if such financing requires us to pledge our assets as collateral. If additional financing is obtained by the issuance of additional shares of common stock, control of Perini may change and stockholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to make future investments, take advantage of acquisition or other opportunities, or otherwise respond to competitive challenges.

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

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

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

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

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

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

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

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

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

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

As a part of our growth strategy, we plan to pursue selective strategic acquisitions of businesses. This strategy involves risks, including diversion of management s attention, potential loss of key employees of acquired businesses and difficulties in integrating operations and systems. We cannot be certain that we will be able to locate suitable acquisitions or consummate any such transactions on terms and conditions acceptable to us or that such transactions will be successful. An inability to successfully integrate acquired businesses into our operations could result in significant losses for us.

Risks Relating to Our Common Stock

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

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

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

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

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

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

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

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

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

- our prospects as perceived by others;
- variations in our operating results and our achievement of key business targets;
- changes in securities analysts recommendations or earnings estimates;
- differences between our reported results and those expected by investors and securities analysts;
- announcements of new contracts or service offerings by us or our competitors;
- market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors; and
- general economic or stock market conditions unrelated to our operating performance.

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

Table of Contents

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

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

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

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

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

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

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

USE OF PROCEEDS

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

DIVIDEND POLICY

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

Table of Contents

MARKET PRICE OF OUR COMMON STOCK

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

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

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

Table of Contents

CAPITALIZATION

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

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

(1) The revolving credit facility provides for revolving loans up to a maximum of $50 million to June 20, 2007. The weighted average interest rate at December 31, 2004 was 4.0%.

(2) As of December 31, 2004, we had 25,232,800 shares outstanding. As of December 31, 2004, options to purchase 734,500 shares of our common stock were outstanding; 195,634 shares were available for future awards under our Special Equity Incentive Plan and 1,000,000 shares were available for awards under our 2004 Stock Option and Incentive Plan. As of December 31, 2004, we had 370,379 shares of common stock reserved for issuance upon conversion of our $21.25 Preferred Stock at a conversion price of $377.50 per share (or $37.75 per Depositary Share) and 181,440 shares of common stock reserved for issuance upon exercise of stock purchase warrants at an exercise price of $8.30 per share.

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, 2004, has been derived from our consolidated financial statements audited by Deloitte & Touche LLP, our current independent registered public accounting firm.

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

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

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

Table of Contents

(1) Income available for common stockholders includes adjustments to net income for (a) accrued and unpaid dividends on our $21.25 Preferred Stock, or $2.125 Depositary Shares, (b) the reversal of previously accrued and unpaid dividends in the amount of approximately $7.3 million applicable to 440,627 of the $2.125 Depositary Shares purchased and retired by us on June 9, 2003, (c) dividends declared and paid on our Series B Preferred Stock until its exchange for shares of common stock on March 29, 2000 and (d) the $13.7 million assigned to the induced conversion of the Series B Preferred Stock into common stock on March 29, 2000.

(2) A construction project is included in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. Backlog is not a measure defined in accounting principles generally accepted in the United States of America, or GAAP, and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.

(3) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (2) above plus or minus subsequent changes to the estimated total contract price of existing contracts. Management uses new business awarded to assist in forecasting future results.

Table of Contents

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

Overview

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

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

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

Recent Developments

Move to New York Stock Exchange

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

Secondary Offering Completed

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

Table of Contents

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

Resale Registration Statement

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

Amendment to Credit Facility

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

Proposed Settlement of $21.25 Preferred Stock Lawsuit

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

Acquisition of Cherry Hill Construction, Inc.

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

Receipt of a Partial Stop Work Order for Work in Iraq

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

Table of Contents

Backlog Analysis for 2004

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

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

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

Critical Accounting Policies

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

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

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

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

Table of Contents

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

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

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

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

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

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

Notes to Consolidated Financial Statements. The prerequisite for billing

23

Table of Contents

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

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

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

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

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

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

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

Finally, we believed that the use of the NOLs might be limited by Internal Revenue Service Code Section 382, 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.

Based on a continuation of a substantial increase in pretax profit, the amount of new work acquired and the positive outlook in certain of our major markets, we substantially depleted the $8.4 million valuation allowance remaining at the end of 2003, by offsetting $7.9 million of tax provisions with further reductions in the valuation allowance during the first two quarters of 2004.

Defined Benefit Retirement Plan The status of our defined benefit pension plan obligations, related plan assets and cost is presented in Note 7 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 6.25% used for purposes of computing the 2004 annual pension expense was determined at the beginning of the calendar year based on high-quality corporate bond yields as of that date. We plan to lower the discount rate used for computing the 2005 annual pension expense to 5.75% due to a decline in high-quality corporate bond yields as of the end of 2004.

Table of Contents

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 8.3% in recent years, we plan to continue to use a rate of 7.5% in 2005 based on recent equity market performance compared to long-term historical averages.

The plans accumulated benefit obligation exceeded the fair value of plan assets on December 31, 2004, 2003 and 2002 in amounts greater than the accrued pension liability previously recorded. Accordingly, we increased our accrual by $5.0 million in 2004, $4.4 million in 2003 and $13.7 million in 2002 with the offset to accumulated other comprehensive loss, a reduction of stockholders equity.

Effective June 1, 2004, all benefit accruals under our pension plan were frozen; however, the current vested benefits will be preserved. As a result, notwithstanding the expected change in the discount rate assumption for 2005 noted above, we anticipate that pension expense will decrease from $3.5 million in 2004 to $2.2 million in 2005. Cash contributions are anticipated to be $6.0 million in 2005, but using our current assumptions regarding asset performance and the interest rate environment, cash contributions will likely increase significantly in the future.

Results of Operations

Comparison of the Year Ended December 31, 2004 with the Year Ended December 31, 2003

Net income for the year ended December 31, 2004 was $36.0 million, an $8.0 million decrease from the record $44.0 million recorded in 2003. Net income for the year ended December 31, 2003 includes the recognition of a $14.9 million tax benefit based on the expectation that we will be able to fully utilize our net operating loss (NOL) carryforwards in future years. On a pretax basis, earnings for the year ended December 31, 2004 were a record $44.9 million, a $14.0 million (or 45%) increase from the $30.9 million recorded in 2003. The record pretax income in 2004 reflects a higher volume of work put in place due primarily to a higher backlog entering 2004 compared to 2003. In particular, we experienced a higher volume of work from our building segment in the hospitality and gaming market and from our management services segment due to contracts previously awarded in Iraq and Afghanistan.

Basic earnings per common share were $1.47 for the year ended December 31, 2004 compared to $2.18 for the year ended December 31, 2003. Diluted earnings per common share were $1.39 for the year ended December 31, 2004, as compared to $2.10 for the year ended December 31, 2003. The 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. The basic and diluted earnings per common share calculations for the year ended December 31, 2003 were also favorably impacted by $0.65 and $0.63 per share, respectively, due to recognition of the $14.9 million tax benefit.

Income before taxes increased by $14.0 million, or 45%, from $30.9 million in 2003 to a record of $44.9 million in 2004, due primarily to an overall increase in revenues. However, net income decreased by $8.0 million, from a record of $44.0 million in 2003 to $36.0 million in 2004, due to the recognition of a $14.9 million federal tax benefit in 2003 based on expected utilization of NOL 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	Increase	%

	Year Ended December 31,		(Decrease)	Change
	2004	2003		
	(In millions, except % change data)			
Building	$ 1,298.8	$ 898.2	$ 400.6	44.6%
Civil	138.1	176.9	(38.8)	(21.9)%
Management Services	405.4	299.0	106.4	35.6%
Total	$ 1,842.3	$ 1,374.1	$ 468.2	34.1%

Table of Contents

Overall revenues increased by $468.2 million (or 34.1%), from $1,374.1 million in 2003 to $1,842.3 million in 2004. This increase was due primarily to an increase in building revenues of $400.6 million (or 44.6%), from $898.2 million in 2003 to $1,298.8 million in 2004, and an increase in management services revenues of $106.4 million (or 35.6%), from $299.0 million in 2003 to $405.4 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 $38.8 million (or 21.9%), from $176.9 million in 2003 to $138.1 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 civil construction new work opportunities have been delayed pending finalization of funding.

	Income from Construction Operations for the Year Ended December 31,		**Increase**	**%**
	2004	**2003**	**(Decrease)**	**Change**
	(In millions, except % change data)			
Building	$ 25.2	$ 12.4	$ 12.8	103.2%
Civil	5.5	3.2	2.3	71.9%
Management Services	29.9	23.7	6.2	26.2%
Subtotal	$ 60.6	$ 39.3	$ 21.3	54.2%
Less: Corporate	(10.3)	(8.8)	1.5	(17.0)%
Total	$ 50.3	$ 30.5	$ 19.8	64.9%

Income from construction operations (excluding corporate) increased by $21.3 million (or 54.2%), from $39.3 million in 2003 to $60.6 million in 2004. Building construction income from operations increased by $12.8 million, from $12.4 million in 2003 to $25.2 million in 2004, due primarily to the increase in revenues discussed above. In addition, building construction income from operations improved due to a $0.7 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 $6.2 million (or 26.2%), from $23.7 million in 2003 to $29.9 million in 2004, due primarily to the increase in revenues discussed above. Despite the decrease in revenues discussed above, civil construction income from operations increased by $2.3 million, from $3.2 million in 2003 to $5.5 million in 2004, due primarily to net claim settlements realized in 2004 on several completed projects. In addition, civil construction income from operations improved due to a $0.4 million decrease in civil construction-related general and administrative expenses. Income from construction operations was negatively impacted by a $1.5 million increase in corporate general and administrative expenses, from $8.8 million in 2003 to $10.3 million in 2004, due primarily to an increase of approximately $0.7 million in outside professional fees and expenses related to establishing compliance with Section 404 of the Sarbanes-Oxley Act of 2002 with respect to assessment of our system of internal controls, as well as a $0.5 million increase in corporate incentive compensation.

Other income/expense (net) increased by $6.1 million, from an income of $1.4 million in 2003 to an expense of $4.7 million in 2004, due primarily to a $2.5 million decrease in net gain recorded from land sales since fewer parcels were sold in 2004. In addition, other income/expense (net) increased due to a $1.7 million increase in expenses related to the secondary stock offerings completed in 2004, as well as a $1.3 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.

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. As a result of not providing federal income tax benefit applicable to losses recorded in certain prior years for financial reporting purposes, benefit from these losses was realized in 2004 and 2003 by not having to provide federal income tax of approximately $7.9 million and $11.0 million, respectively. In addition, the credit for income taxes in 2003 includes the recognition of an additional $14.9 million federal tax benefit in accordance with SFAS No. 109, Accounting for Income Taxes based on the expected utilization of NOL carryforwards.

Reconciliation of Reported Net Income to Pro Forma Net Income

As noted above, our reported net income was $36.0 million and $44.0 million for the years ended December 31, 2004 and 2003, respectively. Our reported basic earnings per common share were $1.47 and $2.18 for the years ended December 31, 2004 and 2003, respectively. Our reported diluted earnings per common share were $1.39 and $2.10 for the years ended December 31, 2004 and 2003, respectively. Assuming an effective income tax rate of 38% and that we completed our 2003 tender offer for our $21.25 Preferred Stock prior to January 1, 2003, pro forma net income for the year ended December 31, 2004 would have been $27.9 million, as compared to pro forma net income of $19.2 million for the year ended December 31, 2003. Similarly, pro forma basic earnings per common share for the year ended December 31, 2004 would have been $1.12, as compared to pro forma basic earnings per common share of $0.79 for the year ended December 31, 2003. Pro forma diluted earnings per common share for the year ended December 31, 2004 would have been $1.06, as compared to pro forma diluted earnings per common share of $0.76 for the year ended December 31, 2003. The reconciliation of reported net income to pro forma net income for the year ended December 31, 2004 and 2003 is set forth below:

	Year Ended December 31,	
	2004	**2003**
	(In thousands, except per share data)	
Reported net income	$ 36,007	$ 44,018
Plus: Provision (credit) for income taxes	8,919	(13,096)
Income before income taxes	44,926	30,922
Provision for income taxes assuming 38% effective rate	17,071	11,750
Pro forma net income	**27,855**	**19,172**
Less: Dividends accrued on Preferred Stock assuming the tender offer took place prior to January 1, 2003	(1,188)	(1,188)
Pro forma total available for common stockholders	$ 26,667	$ 17,984
Pro forma basic earnings per common share	**$ 1.12**	**$ 0.79**
Pro forma diluted earnings per common share	$ 1.06	$ 0.76

To supplement our consolidated financial statements presented in accordance with accounting principles generally accepted in the United States of America, or GAAP, 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 expected utilization of 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, 2003	2002	Increase (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 Construction Operations for the	Increase (Decrease)	% Change

	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 construction 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 construction 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.