

PERINI CORP
Form 10-K/A
March 15, 2005

United States
Securities and Exchange Commission

Washington, DC 20549

FORM 10-K/A

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Act of 1934.

For the fiscal year ended December 31, 2004

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No. 1-6314

Perini Corporation

(Exact name of registrant as specified in its charter)

Massachusetts
(State of Incorporation)

04-1717070
(IRS Employer Identification No.)

73 Mt. Wayte Avenue, Framingham, Massachusetts
(Address of principal executive offices)

01701
(Zip Code)

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(508) 628-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1.00 par value	The New York Stock Exchange
\$2.125 Depositary Convertible Exchangeable Preferred Shares, each representing 1/10th Share of \$21.25 Convertible Exchangeable Preferred Stock, \$1.00 par value	The American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark if registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of voting Common Stock held by nonaffiliates of the registrant was \$125,018,992 as of June 30, 2004, the last business day of the registrant's most recently completed second quarter.

The number of shares of Common Stock, \$1.00 par value per share, outstanding at February 23, 2005 was 25,307,928.

Documents Incorporated by Reference

Portions of the definitive proxy statement relating to the registrant's annual meeting of stockholders to be held on May 19, 2005 are incorporated by reference into Part III of this report.

PERINI CORPORATION AND SUBSIDIARIES

EXPLANATORY NOTE

The sole purpose of this amendment to the Annual Report on Form 10-K for the year ended December 31, 2004 of Perini Corporation (the Company) is to correct an inadvertent clerical error in the table which details the amount of unapproved change order and claim revenue included in the Company's balance sheets as unbilled work as of December 31, 2004. This table is included as part of Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations. This clerical error had no impact on the consolidated financial statements of the Company included in Item 15 Exhibits and Financial Schedules or any other information in the Form 10-K as originally filed. Aside from the correction to the table noted above, none of the information set forth in this amendment differs in any respect from the information contained in the Company's Annual Report on Form 10-K filed on March 4, 2005.

ITEM 7. 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 conducted through three basic segments or operations: building, civil and management services. Our building segment has significant experience providing services to a number of high growth, specialized building markets, including the hospitality and gaming, sports and entertainment, education, transportation and healthcare markets. Our civil segment specializes in new public works construction and the repair, replacement and reconstruction of infrastructure, including highways, bridges, mass transit systems and wastewater treatment facilities, principally in the metropolitan New York and Boston markets. Our management services segment provides diversified construction, design-build and maintenance services to the U. S. military and government agencies, power suppliers, surety companies and multi-national corporations in the United States and overseas. We have been chosen by the federal government for significant projects related to defense and reconstruction projects in Iraq and Afghanistan.

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

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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 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. (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 (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.

Backlog Analysis for 2004

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

	<u>Backlog at December 31, 2003</u>	<u>New Business Awarded (1)</u>	<u>Revenue Recognized</u>	<u>Backlog at December 31, 2004</u>
	(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 included in Item 15 of this Form 10-K.

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.

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When recording revenue on contracts relating to unapproved change orders and claims, we include in revenue an amount equal to the amount of costs incurred by us to date for contract price adjustments that we seek to collect from customers for delays, errors in specifications or designs, change orders in dispute or unapproved as to scope or price, or other unanticipated additional costs, in each case when recovery of the costs are considered probable. When determining the likelihood of eventual recovery, we consider such factors as evaluation of entitlement, settlements reached to date and our experience with the customer. The settlement of these issues often takes years depending upon whether the item can be resolved directly with the customer or involves litigation or arbitration. When new facts become known, an adjustment to the estimated recovery is made and reflected in the current period results.

The amount of unapproved change order and claim revenue is included in our balance sheet as Unbilled Work. The amount of Unbilled Work relating to unapproved change orders and claims included in our balance sheet at 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 Item 3 Legal Proceedings and 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. For a further discussion of unapproved change orders and claims, see Item 1, Business Types of Contracts and The Contract Process. 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 Item 3 Legal Proceedings and Note 2, Contingencies and Commitments, of Notes to Consolidated Financial Statements. The prerequisite for billing unapproved change orders and claims is the final resolution and agreement between the parties. Unbilled work related to our contracts and joint venture contracts at December 31, 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.

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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

2004 Compared to 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			
	Year Ended December 31,		Increase	%
	2004	2003	(Decrease)	Change
	(In millions)			
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%

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Total	\$ 1,842.3	\$ 1,374.1	\$ 468.2	34.1%
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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,			
	2004	2003	Increase (Decrease)	% Change
	(In millions)			
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.

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

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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.

Results of Operations -**2003 Compared to 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 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		Increase (Decrease)	% Change
	Year Ended December 31,			
	2003	2002		
	(In millions)			
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 the Company's 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			
	Year Ended December 31,		Increase	%
	2003	2002	(Decrease)	Change
	(In millions)			
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%

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 our share of a 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.

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

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

The credit for income taxes in 2003 is due primarily to the recognition of a \$14.9 million tax benefit in accordance with SFAS No. 109,

Accounting for Income Taxes based on the expected utilization of NOL carryforwards. In addition, 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 2003 and 2002 by not having to provide federal income tax of approximately \$11.0 million and \$8.5 million, respectively. Also, the provision for income taxes in 2002 reflects the reversal of the federal alternative minimum tax provided in 2001 which was no longer required based on the provisions of the Job Creation and Worker Assistance Act of 2002. As a result of the recognition of the \$14.9 million NOL tax benefit, basic and diluted earnings per common share calculations for the year ended December 31, 2003 were favorably impacted by \$0.65 and \$0.63 per share, respectively.

Reconciliation of Reported Net Income to Pro Forma Net Income

Assuming an effective income tax rate of 38% and that we completed our tender offer for our \$21.25 Preferred Stock prior to January 1, 2002, pro forma net income for the year ended December 31, 2003 would have been \$19.2 million, compared to \$14.8 million for the year ended December 31, 2002. Similarly, pro forma basic earnings per share for the year ended December 31, 2003 would have been \$0.79, compared to \$0.60 for the year ended December 31, 2002. Pro forma diluted earnings per share for the year ended December 31, 2003 would have been \$0.76 compared to \$0.59 for the year ended December 31, 2002. The reconciliation of reported net income to pro forma net income for the years ended December 31, 2003 and 2002 is set forth below:

	Year Ended December 31,	
	2003	2002
	(In thousands,	
	except per share data)	
Reported net income	\$ 44,018	\$ 23,074
Plus: Provision (credit) for income taxes	(13,096)	801
Income before income taxes	30,922	23,875
Provision for income taxes assuming 38% effective rate	11,750	9,072
Pro forma net income	19,172	14,803
Less: Dividends accrued on Preferred Stock assuming the tender offer took place prior to January 1, 2002	(1,188)	(1,188)
Pro forma total available for common stockholders	\$ 17,984	\$ 13,615
Pro forma basic earnings per common share	\$ 0.79	\$ 0.60
Pro forma diluted earnings per common share	\$ 0.76	\$ 0.59

Liquidity and Capital Resources***Cash and Working Capital***

Cash and cash equivalents as reported in the accompanying Consolidated Statements of Cash Flows consist of amounts held by us as well as our proportionate share of amounts held by construction joint ventures. Cash held by us is available for general corporate purposes while cash held by construction joint ventures is available only for joint venture-related uses. Cash held by construction joint ventures is distributed from time to time to us and to the other joint venture participants in accordance with their percentage interest after the joint venture partners determine that a cash distribution is prudent. Cash distributions received by us from our construction joint ventures are then available for general corporate purposes. At December 31, 2004 and 2003, cash held by us and available for general corporate purposes was \$81.0 million and \$33.4 million, respectively, and our proportionate share of cash held by joint ventures and available only for joint venture-related uses was \$55.3 million and \$34.4 million, respectively.

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

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

	Year Ended December 31,		
	2004	2003	2002
	(In millions)		
Cash flows from:			
Operating activities	\$ 59.8	\$ 42.6	\$ (3.6)
Investing activities	(1.9)	(7.9)	(0.6)
Financing activities	10.6	(13.9)	(5.3)
	\$ 68.5	\$ 20.8	\$ (9.5)
Net increase (decrease) in cash			
Cash at beginning of year	67.8	47.0	56.5
	\$ 136.3	\$ 67.8	\$ 47.0
Cash at end of year			

During 2004, we generated \$59.8 million in cash flow from operating activities and \$10.6 million in cash flow from financing activities, primarily from \$11.6 million received from the exercise of common stock options, to fund \$1.9 million in cash flow used by investing activities, primarily to acquire construction equipment, and to increase our balance of cash on hand. As a result, our consolidated cash balance increased by \$68.5 million, from \$67.8 million at December 31, 2003 to \$136.3 million at December 31, 2004.

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

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

Working capital increased, from \$125.4 million at the end of 2003 to \$178.0 million at December 31, 2004. The current ratio increased from 1.31x compared to 1.41x during the same period. Since December 31, 2002, working capital has increased by \$62.1 million (or 54%) from \$115.9 million to \$178.0 million at December 31, 2004. As of December 31, 2004, accounts receivable amounted to \$372.9 million and comprised approximately 61% of our total current assets. This compares to accounts receivable of \$328.0 million, or approximately 62% of our total current assets at December 31, 2003.

We have a \$50 million revolving credit facility. In August 2004, the terms of our revolving credit facility were amended to extend the term of our credit facility from June 2005 to June 2007 and to adjust certain financial covenants. The terms of our credit facility provide that we can

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choose from interest rate alternatives including a prime-based rate, as well as options based on LIBOR (London inter-bank offered rate).

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

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

a minimum tangible net worth equal to \$62 million plus, commencing with our fiscal quarter ended December 31, 2001, 50% of our consolidated net income for each consecutive two fiscal quarters ended on June 30 and December 31 of each year;

a minimum fixed charge coverage ratio of consolidated EBITDA over covered charges (which includes interest expense and current period dividends on our preferred stock) equal to 1.50:1 for four consecutive fiscal quarters; and

minimum operating profit levels of at least \$25 million in the aggregate for four consecutive fiscal quarters through December 31, 2004 and at least \$27.5 million in the aggregate for four consecutive fiscal quarters as of March 31, 2005.

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

Our obligations under our credit facility are guaranteed by substantially all of our current and future subsidiaries, and secured by substantially all of our and our subsidiaries' assets, including a pledge of all of the capital stock of our subsidiaries. At December 31, 2004, we had \$47.2 million available to borrow under our credit facility and \$2.8 million in outstanding letters of credit.

Long-term Debt

Long-term debt at December 31, 2004 was \$8.6 million, a decrease of \$3.5 million from December 31, 2002, despite the completion in 2003 of a tender offer for our Depositary Shares which required a cash outlay of approximately \$11.3 million (including related expenses) and the acquisition of Cummings in 2003 which required a net cash outlay of approximately \$8.6 million. The long-term debt to equity ratio was .05x at December 31, 2004, compared to .07x at December 31, 2003 and .14x at December 2002. Long-term debt was \$8.5 million at the end of 2003, down from \$12.1 million at the end of 2002.

Contractual Obligations

Our outstanding contractual obligations as of December 31, 2004 are summarized in the following table:

	Payments Due by Period				
	(In thousands)				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Total debt, excluding interest	\$ 9,367 (a)	\$ 759	\$ 1,028	\$ 2,021	\$ 5,559
Operating leases, net	9,867	3,706	4,256	1,815	90
Purchase obligations	730	730			
Other long-term liabilities:					
Accrued dividends on \$21.25 Preferred Stock	10,993				10,993(b)
Employee benefit related liabilities	2,080	157	314	314	1,295

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Minimum pension liability adjustments	29,738	6,000	12,000(c)	11,738(c)	
Tutor-Saliba management agreement	800	800			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total contractual obligations	\$ 63,575	\$ 12,152	\$ 17,598	\$ 15,888	\$ 17,937
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(a) Includes capital leases in the amount of \$944.

- (b) Assumes current policy described below under *Dividends* \$21.25 Preferred Stock does not change during the 5-year period.
- (c) Assumes annual pension fund contributions equal to the contribution amount anticipated in 2005.

Management believes that cash generated from operations and existing credit lines should be adequate to meet our funding requirements for at least the next twelve months including the acquisition of Cherry Hill Construction, Inc. in January, 2005 for approximately \$20.0 million in cash and the potential settlement of the class action lawsuit filed by the holders of the \$21.25 Preferred Stock.

Stockholders Equity

Our book value per common share was \$6.34 at December 31, 2004, compared to \$4.65 at December 31, 2003, and \$2.72 at December 31, 2002. The major factors impacting stockholders' equity during the three year period were the net income recorded in all three years, the funding of our tender offer (\$11.3 million) completed in June 2003, including the reversal of dividends (\$7.3 million) previously accrued related to the Preferred Stock tendered, preferred stock dividends accrued, and common stock options exercised. Also, we were required to recognize an additional minimum pension liability, net of tax, of approximately \$3.1 million in 2004, \$4.4 million in 2003, \$13.7 million in 2002 and \$5.9 million in 2001 in accordance with SFAS No. 87, *Employers' Accounting for Pensions* which resulted in an aggregate \$27.1 million Accumulated Other Comprehensive Loss deduction in stockholders' equity. (See Note 7 of Notes to Consolidated Financial Statements.) Adjustments to the amount of this additional minimum pension liability will be recorded in future years based upon periodic re-evaluation of the funded status of our pension plans.

Dividends

Common Stock

There were no cash dividends declared or paid on our outstanding Common Stock during the three years ended December 31, 2004.

\$21.25 Preferred Stock

The covenants in our prior credit agreements required us to suspend the payment of quarterly dividends on our \$21.25 Preferred Stock in 1995 until certain financial criteria were met. While quarterly dividends on the \$21.25 Preferred Stock have not been paid since 1995, they have been fully accrued due to the cumulative feature of the \$21.25 Preferred Stock. As of December 31, 2002, the aggregate amount of dividends in arrears was approximately \$15.4 million, which represented approximately \$154.05 per share of \$21.25 Preferred Stock or approximately \$15.41 per Depositary Share and was included in other long-term liabilities in the Consolidated Balance Sheets. In June 2003, we completed a tender offer for our Depositary Shares pursuant to which we purchased 440,627 Depositary Shares for \$25 per share. As a result of this transaction, approximately \$7.3 million of previously accrued and unpaid dividends were reversed and restored to additional paid-in capital in the Consolidated Balance Sheets. Accordingly, the aggregate amount of dividends in arrears at December 31, 2004 is approximately \$11.0 million, which represents approximately \$196.56 per share of \$21.25 Preferred Stock or approximately \$19.66 per Depositary Share and is included in other long-term liabilities in the Consolidated Balance Sheets. Under the terms of the \$21.25 Preferred Stock, the holders of Depositary Shares became entitled to elect two additional Directors once dividends were deferred for more than six quarters, and they have done so at each of the last seven annual meetings of stockholders.

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In November 2004, the parties reached an agreement to settle the class action lawsuit filed by the holders of the \$21.25 Preferred Stock. (See Note 2(f) of Notes to Consolidated Financial Statements). 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.

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

A strong working capital position provides us with the option of performing large projects without a joint venture partner or to assume the sponsoring partner position resulting in a larger proportionate interest and a greater share of joint venture profits.

A significant amount of working capital is dedicated to the funding requirements of our construction backlog, including collection of receivables and the resolution of unapproved change orders and contract claims, and to obtaining surety bonds required by our business.

We are pursuing a strategy of expanding our construction business internally and through acquisitions, both of which will likely require additional capital. In January 2005, we completed the acquisition of Cherry Hill Construction Co., Inc. for \$20 million. In January 2003, we completed the acquisition of Cummings for \$20 million.

Related Party Transactions

We are party to an agreement with Tutor-Saliba Corporation (or Tutor-Saliba), a construction company based in California, and Ronald N. Tutor, Chief Executive Officer and sole stockholder of Tutor-Saliba, to provide certain management services. Tutor-Saliba participated in joint ventures with us before the agreement and continues to participate in joint ventures with us after the agreement. Our share of revenue from these joint ventures amounted to \$37.7 million, \$49.0 million and \$48.8 million in 2004, 2003 and 2002, respectively. Primarily as a result of Tutor-Saliba participating in a \$40 million equity infusion in March 2000, Tutor-Saliba beneficially owns approximately 21.7% of our outstanding Common Stock as of December 31, 2004. Mr. Tutor has been our Chairman and Chief Executive Officer since March 2000. For details of compensation to Mr. Tutor, arrangements with Tutor-Saliba and other information on related party transactions, see Note 12 of Notes to Consolidated Financial Statements.

New Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS No. 123R). SFAS No. 123R is a revision of SFAS No. 123 *Accounting for Stock-Based Compensation* and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and its related implementation guidance. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123R requires entities to recognize stock compensation expense for awards of equity instruments to employees based on the grant date fair value of those awards (with limited exceptions). In addition, SFAS 123R requires that the excess tax benefits related to stock compensation be reported as a financing cash inflow rather than a reduction of taxes paid in cash flow from operations. SFAS No. 123R is effective for the first interim or annual reporting period that begins after June 15, 2005. We expect to adopt SFAS No. 123R using the modified prospective application method. We adopted SFAS No. 123 effective January 1, 2004. We believe that the adoption of the provisions of SFAS No. 123R will not have a material impact on our consolidated financial position or results of operations.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Perini Corporation
(Registrant)

Dated: March 15, 2005

By: */s/ Michael E. Ciskey*

Michael E. Ciskey
Vice President and Chief Financial Officer

Exhibit Index

The following designated exhibits are, as indicated below, either filed herewith or have heretofore been filed with the Securities and Exchange Commission under the Securities Act of 1933 or the Securities Act of 1934 and are referred to and incorporated herein by reference to such filings.

Exhibit 3. Articles of Incorporation and By-laws

- 3.1 Restated Articles of Organization (incorporated by reference to Exhibit 4 to Form S-2 (File No. 33-28401) filed on April 28, 1989).
- 3.2 Articles of Amendment to the Restated Articles of Organization of the Perini Corporation (incorporated by reference to Exhibit 3.2 to Form S-1 (File No. 333- 111338) filed on December 19, 2003).
- 3.3 Articles of Amendment to the Articles of Organization of Perini Corporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on April 12, 2000).
- 3.4 Amended and Restated Bylaws of Perini Corporation (incorporated by reference to Exhibit 3.2 of Form 8-K (File No. 001-06314) filed on February 14, 1997).
- 3.5 Amendment No. 1 to the Amended and Restated Bylaws of Perini Corporation (incorporated by reference to Exhibit 3.2 to Form 8-K filed on April 12, 2000).

Exhibit 4. Instruments Defining the Rights of Security Holders, Including Indentures

- 4.1 Certificate of Vote of Directors Establishing a Series of a Class of Stock determining the relative rights and preferences of the \$21.25 Convertible Exchangeable Preferred Stock (incorporated by reference to Exhibit 4(a) to the Registration Statement on Form S-2 (File No. 33-14434) filed on June 19, 1987).
- 4.2 Certificate of Vote of Directors Establishing a Series of a Class of Stock determining the relative rights and preferences of the Series A Junior Participating Cumulative Preferred Stock (incorporated by reference to Exhibit 4.2 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
- 4.3 Certificate of Vote of Directors Establishing a Series of a Class of Stock determining the relative rights and preferences of the Series B Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 4.8 of Form 8-K (File No. 001-06314) filed on February 14, 1997).
- 4.4 Form of Deposit Agreement, including form of Depositary Receipt (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-2 (File no. 33-14434) filed on June 19, 1987).

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(Continued)

- 4.5 Form of Indenture with respect to the 8^{1/2}% Convertible Subordinated Debentures Due June 15, 2012, including form of Debenture (incorporated by reference to Exhibit 4(c) to the Registration Statement on Form S-2 (File No. 33-14434) filed on June 19, 1987).
- 4.6 Shareholder Rights Agreement dated as of September 23, 1988, as amended and restated as of May 17, 1990, as amended and restated as of January 17, 1997, between Perini Corporation and State Street Bank and Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.4 to Amendment No. 1 to the Registration Statement on Form 8-A/A (File No. 001-06314) filed on January 29, 1997).
- 4.7 Amendment dated March 29, 2000 to the Shareholder Rights Agreement (incorporated by reference to Exhibit 4.3 to Form 8-K filed on April 12, 2000).
- 4.8 Exchange Agreement by and between Perini Corporation and The Union Labor Life Insurance Company, acting on behalf of its Separate Account P, dated as of February 7, 2000 (incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 12, 2000).
- 4.9 Exchange Agreement by and between Perini Corporation and PB Capital Partners, L.P., dated as of February 14, 2000 (incorporated by reference to Exhibit 10.2 to Form 8-K filed on April 12, 2000).
- 4.10 Exchange Agreement by and between Perini Corporation and The Common Fund for Non-Profit Organizations, dated as of February 14, 2000 (incorporated by reference to Exhibit 10.3 to Form 8-K filed on April 12, 2000).
- 4.11 Registration Rights Agreement by and among Perini Corporation, Tutor-Saliba Corporation, Ronald N. Tutor, O&G Industries, Inc. and National Union Fire Insurance Company of Pittsburgh, Pa., BLUM Capital Partners, L.P., PB Capital Partners, L.P., The Common Fund for Non-Profit Organizations, and the Union Labor Life Insurance Company, acting on behalf of its Separate Account P, dated as of March 29, 2000 (incorporated by reference to Exhibit 4.1 to Form 8-K filed on April 12, 2000).
- 4.12 Shareholders Agreement by and among Perini Corporation, Tutor-Saliba Corporation, Ronald N. Tutor, O&G Industries, Inc. and National Union Fire Insurance Company of Pittsburgh, Pa., BLUM Capital Partners, L.P., PB Capital Partners, L.P., The Common Fund for Non-Profit Organizations, and The Union Labor Life Insurance Company, acting on behalf of its Separate Account P, dated as of March 29, 2000 (incorporated by reference to Exhibit 4.2 to Form 8-K filed on April 12, 2000).
- 4.13 Form of Warrant to purchase an aggregate of 420,000 shares of common stock of Perini Corporation dated January 17, 1997 issued to former lenders of Perini Corporation (incorporated by reference to Exhibit 4.13 to Form S-1 (File No. 333- 111338) filed on December 19, 2003).

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(Continued)

- 4.14 Letter Agreement by and among Perini Corporation, BLUM Capital Partners, L.P., PB Capital Partners, L.P. and The Common Fund for Non-Profit Organizations, dated as of December 1, 2003 (incorporated by reference to Exhibit 4.14 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
 - 4.15 Warrantholders Rights Agreement by and among Perini Corporation and the former Lenders of Perini Corporation, dated January 17, 1997 (incorporated by reference to Exhibit 4.15 to Amendment No. 2 to Form S-1 (File No. 333-111338) filed on March 8, 2004).
 - 4.16 Securityholders Agreement by and among Perini Corporation, PB Capital Partners, L.P., The Union Labor Life Insurance Company Separate Account P, The Common Fund for Non-Profit Organizations, for the Account of its Equity Fund and the Initial Warrantholders (as defined therein), dated as of January 17, 1997 (incorporated by reference to Exhibit 4.16 to Amendment No. 4 to Form S-1 (File No. 333-111338) filed on April 8, 2004).
 - 4.17 Amendment No. 2 dated September 28, 2004 to the Shareholder Rights Agreement (incorporated by reference to Exhibit 99.1 to Form 8-K filed on September 28, 2004).
- Exhibit 10. Material Contracts
- 10.1 Perini Corporation Amended and Restated (2004) General Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Amendment No. 2 to Form S-1 (File No. 333-111338) filed on March 8, 2004).
 - 10.2 Perini Corporation Amended and Restated (2004) Construction Business Unit Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Amendment No. 2 to Form S-1 (File No. 333-111338) filed on March 8, 2004).
 - 10.3 Management Agreement dated as of January 17, 1997 by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation (incorporated by reference to Exhibit 10.16 to Perini Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 filed on March 31, 2003).
 - 10.4 Amendment No. 1 dated as of December 23, 1998 to the Management Agreement by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation (incorporated by reference to Exhibit 10.4 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
 - 10.5 Amendment No. 2 dated as of December 31, 1999 to the Management Agreement by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation (incorporated by reference to Exhibit 10.31 to Perini Corporation's Quarterly Report on Form 10-Q for the period ended March 31, 2000 filed on May 9, 2000).

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- 10.6 Amendment No. 3 dated as of December 31, 2000 to the Management Agreement by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation. (incorporated by reference to Exhibit 10.6 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
- 10.7 Amendment No. 4 dated as of December 31, 2001 to the Management Agreement by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation (incorporated by reference to Exhibit 10.36 to Perini Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 filed on March 31, 2003).
- 10.8 Amendment No. 5 dated as of December 31, 2002 to the Management Agreement by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation (incorporated by reference to Exhibit 10.8 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
- 10.9 1982 Stock Option and Long Term Performance Incentive Plan, as amended (incorporated by reference to Exhibit 10.9 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
- 10.10 Special Equity Incentive Plan (incorporated by reference to Exhibit A to Perini Corporation's Proxy Statement for the Annual Meeting of Stockholders dated April 19, 2000).
- 10.11 Perini Corporation 2004 Stock Option and Incentive Plan (incorporated by reference to Exhibit D to Perini Corporation's Proxy Statement for the Annual Meeting of Stockholders dated April 20, 2004).
- 10.12 Promissory Note dated as of September 6, 2000 by and among Mt. Wayte Realty, LLC (a wholly-owned subsidiary of Perini Corporation) and The Manufacturers Life Insurance Company (U.S.A.) (incorporated by reference to Exhibit 10.34 to Perini Corporation's Quarterly Report on Form 10-Q for the period ended September 30, 2000 filed on November 6, 2000).
- 10.13 Credit Agreement dated January 23, 2002 among Perini Corporation, Fleet National Bank, as Administrative Agent, Fleet National Bank, as Arranger, and the Lenders Party Hereto (incorporated by reference to Exhibit 10.35 to Perini Corporation's Annual Report on Form 10-K for the year ended December 31, 2001 filed on March 21, 2002).
- 10.14 Employment Agreement dated January 23, 2003 by and among the Company, James A. Cummings, Inc. and James A. Cummings (incorporated by reference to Exhibit 10.38 to Perini Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 filed on March 31, 2003).

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- 10.15 First Amendment and Waiver dated February 14, 2003 to Credit Agreement among Perini Corporation, Fleet National Bank, as Administrative Agent, and the Lenders (incorporated by reference to Exhibit 10.39 to Perini Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 filed on March 31, 2003).
- 10.16 Second Amendment dated November 5, 2003 to Credit Agreement among Perini Corporation, Fleet National Bank, as Administrative Agent, and the Lenders (incorporated by reference to Exhibit 10.17 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
- 10.17 Amendment No. 6 dated as of January 1, 2004 to the Management Agreement by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation (incorporated by reference to Exhibit 10.18 to Amendment No. 1 to Form S-1 (File No. 333-111338) filed on February 10, 2004).
- 10.18 Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.19 to Amendment No. 1 to Form S-1 (File No. 333-111338) filed on February 10, 2004).
- 10.19 Third Amendment dated January 31, 2004 to Credit Agreement among Perini Corporation, Fleet National Bank, as Administrative Agent, and the Lenders (incorporated by reference to Exhibit 10.20 to Amendment No. 2 to Form S-1 (File No. 333-111338) filed on March 8, 2004).
- 10.20 Fourth Amendment and Waiver dated August 25, 2004 to Credit Agreement among Perini Corporation, Fleet National Bank, as Administrative Agent, and the Lenders (incorporated by reference to Exhibit 10.1 to Perini Corporation's Quarterly Report on Form 10-Q for the period ended September 30, 2004 filed on November 5, 2004).
- 10.21 Amendment No. 7 dated as of September 15, 2004 to the Management Agreement by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation (incorporated by reference to Exhibit 10.2 to Perini Corporation's Quarterly Report on Form 10-Q for the period ended September 30, 2004 filed on November 5, 2004).
- 10.22 Amendment No. 8 dated as of December 15, 2004 to the Management Agreement by and among the Company, Ronald N. Tutor and Tutor-Saliba Corporation (incorporated by reference to Exhibit 10.2 to Form 8-K filed on December 16, 2004).
- 10.23 Retention Incentive Agreement dated as of December 15, 2004 between the Company and Ronald N. Tutor (incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 16, 2004).
- 10.24* Form of Restricted Stock Unit Award Agreement under the Perini Corporation 2004 Stock Option and Incentive Plan.

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Exhibit 21.*	Subsidiaries of Perini Corporation.
Exhibit 23.*	Consent of Independent Registered Public Accounting Firm.
Exhibit 24.*	Power of Attorney.
Exhibit 31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Previously filed as an exhibit to the initial filing of Perini Corporation's Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 4, 2005.