PERINI CORP
Form 424B3
December 05, 2005
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Registration No. 333-117344

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

PRELIMINARY PROSPECTUS SUPPLEMENT Subject to Completion December 5, 2005

(To Prospectus dated March 15, 2005)

5,042,382 Shares

Common Stock

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

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

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

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

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

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

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

Sole Book-Running Manager

UBS Investment Bank

D.A. Davidson & Co. **Morgan Joseph & Co. Inc.**

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

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Prospectus Supplement

Base Prospectus

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About this prospectus supplement

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

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

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

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

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

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Prospectus supplement summary

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

OUR COMPANY

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

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

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

OUR STRENGTHS

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

Ø ***Substantial and Growing Backlog.*** We believe our substantial backlog of uncompleted construction work provides us with visibility into our future performance. As of September 30, 2005, our backlog of uncompleted construction work was \$3.33 billion, up 189% from backlog of \$1.15 billion as of December 31, 2004. Our September 30, 2005 backlog does not include our recently announced \$463 million contract for the expansion of the Foxwoods Resort Casino in southeastern Connecticut, our recent selection as general contractor for Project CityCenter in Las Vegas for MGM MIRAGE, with an estimated value in excess of \$3.0 billion, which is subject to agreement on final contract terms, and an estimated \$945 million of backlog of Rudolph and Sletten, our most recent acquisition. Including these items, which assumes signed contracts on Project CityCenter, our backlog would be approximately \$7.7 billion. In 2004, approximately 65% of our annual revenue was derived from projects in backlog at the beginning of the fiscal year.

Ø ***Market Leadership in Key Building End Markets.*** Our significant experience, strong client relationships and design-build expertise support our market leadership positions in the United States. According to *Engineering News-Record* s 2005 ranking based on revenues, we are the largest contractor in the hotel, motel and convention center market and one of the top 10 contractors in the entertainment market in the United States. We are a recognized leader in the hospitality and gaming market, specializing in the construction of high-end destination resorts and casinos and Native American casino developments. Our reputation for completing projects on time is a significant competitive advantage in the hospitality and gaming market, as any delay in project completion may result in significant loss of revenues for the client. We believe our success results from our proven ability to manage and perform large, complex projects with aggressive fast-track schedules, elaborate designs and advanced systems, while providing accurate budgeting and strict quality control. We have recently been awarded contracts for several high profile resorts and casinos, most notably the Trump International Hotel & Tower, The Cosmopolitan Resort & Casino, the Foxwoods Resort Casino expansion and the Gaylord National Resort and Convention Center. We have also completed work on several other high profile resorts and casinos, most notably the Paris Las Vegas, Mohegan Sun, Morongo Casino Resort & Spa, Pechanga Resort & Casino, Seminoles Hard Rock Hotels & Casinos and The Augustus Tower at Caesars Palace.

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- ***Proven Nationwide Capabilities.*** We believe that our national network of construction and management services differentiates us from our competitors, specifically in end markets that require complex solutions. Our nationwide capabilities, long-term client relationships and proven expertise allow us to capture additional business from existing clients seeking to expand their geographic or local presence and market share. We continue to successfully leverage our nationwide capabilities to assist our clients as they expand into other geographic regions. For example, MGM MIRAGE, Harrah s Entertainment, Inc., Station Casinos, Inc. and Gaylord Entertainment Co. have utilized our nationwide capabilities to expand their operations.

- ***Long-term Relationships with Major Clients.*** Our leadership in key markets has allowed us to develop long-term relationships with our major private sector clients, generating significant repeat business. For example, due in part to our success on previous projects and our existing relationships, we are currently under contract to perform construction services for major projects with repeat clients such as Trump Entertainment Resorts Inc., Station Casinos, Inc., Gaylord Entertainment Co. and MGM MIRAGE. We have also been awarded several expansion projects for facilities for which we have previously provided construction services, such as Station Casinos, Inc., Thunder Valley Casino, Pechanga Resort & Casino and Harrah s Entertainment, Inc. In addition, our relationships and performance with clients in the high-growth building segment enables us to execute projects primarily on a negotiated basis as opposed to competitive bidding processes. We believe our long-term relationships and proven performance provide us with a significant competitive advantage when competing for new business across all of our segments.

- ***Extensive Experience in Complex Civil Construction.*** For over 100 years, we have provided specialized civil construction services, with an emphasis on large, complex projects in dense urban areas. We have completed or are currently working on some of the most significant civil construction projects in the Northeastern United States, including multiple portions of Boston s Big Dig project, New Jersey Light Rail Transit, the Triborough Bridge and Whitestone Bridge rehabilitations, Jamaica Station and a section of the Long Island Expressway. We consistently qualify to compete for major projects in the Northeastern United States due to our proven record of performance and strong financial position. With our January 2005 acquisition of Cherry Hill, we have expanded our civil construction presence in the Mid-Atlantic and Southeastern United States.

- ***Established Construction Management Services for Challenging Projects.*** Our clients often rely on us to respond rapidly to complex projects in challenging business or operating environments throughout the world. In addition to our rapid response services, we provide design-build, maintenance and contract completion services to our clients. Our management services segment clients include the United States military and other government agencies, as well as multi-national corporations, including Exelon Corp., General Dynamics Corp. and Raytheon Co., and surety companies. We are extensively involved with the United States Army Corps of Engineers in the design-build construction of four military bases for the Afghan National Army and with multiple agencies for projects related to the reconstruction of Iraq. In March 2005, we completed a five-year contract to upgrade the perimeter and technical security for 30 United States embassies and consulates around the world. We also provide outage planning, management, maintenance and modification services to 10 nuclear power generating stations in the United States under a contract with Exelon Corp.

- ***Diversified Revenue Base.*** Our revenue is diversified across a broad range of end markets, which has historically mitigated our exposure to cyclicality in individual end markets. We provide building services to the hospitality and gaming, sports and entertainment, education, transportation and healthcare markets and have extensive civil experience constructing highways, bridges, wastewater treatment facilities and mass transit systems. In addition, our management services segment provides services to the United States military and other government agencies as well as multi-national corporations and surety companies.

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

Ø ***Strong Financial Position.*** Our senior management team has successfully developed a business model that has consistently made us profitable. Over the past five years we have generated income from construction operations ranging from $27.4 million in fiscal 2000 to $50.3 million in fiscal 2004, and $31.2 million for the nine months ended September 30, 2005. We have also increased our stockholders equity from $60.6 million as of December 31, 2000 to $195.9 million as of September 30, 2005. As of September 30, 2005, our cash and cash equivalents were $100.1 million and we had borrowing capacity of $47.2 million under our $50 million revolving credit facility.

Ø ***Stable, Proven Senior Management Team and Highly Skilled Workforce.*** Our senior management team and workforce bring significant industry work experience and specialized project expertise to our project operations. Our six-person senior executive management team has an average of 26 years of experience with our company. Together, our top 49 senior executives and operating managers have an average of approximately 17 years of experience with us. In addition, we have over 1,500 salaried employees on staff to manage our substantial backlog. Under the current management team s leadership, we have improved our revenues and income from construction operations from $1.1 billion and $27.4 million, respectively, in fiscal 2000 to a record $1.8 billion and $50.3 million, respectively, in fiscal 2004, while significantly diversifying our revenue base into new end markets and geographies. This performance represents compound annual growth rates of 13.6% and 16.5% in revenues and income from construction operations, respectively, over this period.

OUR STRATEGY

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

Ø ***Leverage Leadership Position and Strong Relationships in Hospitality and Gaming Market.*** The hospitality and gaming market continues to be a significant growth area for us. We intend to leverage our leadership position by emphasizing our experience and our proven ability to complete challenging projects on accelerated schedules. We have established strong relationships with numerous traditional gaming companies and Native American tribes that we have leveraged to generate additional projects. As a result of referrals from our existing Native American hospitality and gaming clients, we have been awarded several projects by other Native American clients throughout the United States. For example, the Morongo Casino Resort & Spa and the San Manuel Indian Bingo & Casino were both referred to us by The Pechanga Band of Luiseño Indians. In addition, we expect to continue to leverage our leadership positions and our strong relationships with traditional gaming clients, such as Harrah s Entertainment, Inc., MGM MIRAGE and Gaylord Entertainment Co., to generate additional opportunities as these long-term clients expand their operations.

Ø ***Extend Building Construction Expertise to Additional Markets.*** As we expand our market presence within particular project types or geographic areas, we seek opportunities to cross-utilize our building construction expertise. For example, many of our clients in the gaming market have initiated projects in condominium, timeshare and high-rise residential construction. As our clients further develop projects beyond the gaming market, we plan to continue servicing our clients in these new markets. Our acquisition in January 2003 of James A. Cummings, an established Florida building company, increased our footprint in the South Florida market and expanded our capabilities in the construction of schools, condominiums and public and commercial facilities. In addition, our October 2005 acquisition of Rudolph and Sletten allows us to enter additional end markets, including attractive markets such as corporate campuses and biotech, pharmaceutical and high-tech projects.

Ø ***Pursue Expanding Federal Contracting Opportunities for Defense, Reconstruction and Security.*** Since World War II, we have worked for the United States government, including the Departments of Defense and State. We continue to pursue federal construction and support projects at various domestic and overseas locations such as military bases, military installations and United States embassies and consulates as well as new Department of Homeland Security and disaster relief projects. We also continue to pursue multi-year urgent response and task order contracts with the United States military and other government agencies.

Ø ***Seek Complex Civil Construction Projects in the Northeastern and Mid-Atlantic United States.*** We intend to maintain and build upon our established position as a leading civil construction contractor in the Northeastern United States. We have established credentials and proven expertise to consistently qualify, win and complete major civil projects in the Northeastern United States. We selectively focus on large-scale, complex projects, including the repair, replacement and reconstruction of public infrastructure such as highways, bridges, wastewater treatment facilities and mass transit systems, where our competitive advantages can be leveraged. Through our January 2005 acquisition of Cherry Hill, we have extended our already strong reputation as a respected civil contractor to the Mid-Atlantic and Southeastern United States. We have experienced early and significant success with this strategy, with Cherry Hill having received approximately $170 million of new work awards since the close of the acquisition. We plan to continue to leverage this expertise in large, complex civil projects to enhance our market share in these geographic areas.

Ø ***Pursue Selected Strategic Acquisitions.*** We plan to continue to supplement our internal growth and achieve strategic benefits by pursuing selected acquisitions across all of our business segments. We actively identify and screen potential acquisition targets to enhance our geographic presence and relationships. In January 2003, we acquired James A. Cummings, an established Florida building company, which increased our footprint and brand in the South Florida market and expanded our capabilities in the construction of schools, condominiums and public and commercial facilities. In January 2005, we completed the acquisition of Cherry Hill, an established civil contractor operating in the Mid-Atlantic and Southeastern United States, specializing in excavation, foundations, paving and construction of civil infrastructure. Cherry Hill s strong regional reputation for civil projects and its complementary client base, extends our geographic presence and makes for an excellent strategic fit with our existing operations. Most recently, in October 2005, we acquired Rudolph and Sletten, a privately held construction and construction management company based in Redwood City, California that specializes in corporate campuses and healthcare, biotech, pharmaceutical and high-tech projects.

RECENT DEVELOPMENTS

Judgment in Mergentime - Perini Joint Venture v. WMATA Matter

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

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

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

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

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

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

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

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

Acquisition of Rudolph and Sletten

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

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

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

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

See Management s Discussion and Analysis of Financial Condition and Results of Operations Recent Developments in this prospectus supplement for more information regarding our acquisition of Rudolph and Sletten.

Amended and Restated Credit Agreement

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

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

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

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

Preferred Shareholder Litigation

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

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

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

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

OUR CORPORATE INFORMATION

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

SUPPLEMENTAL RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Ø 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;
- Ø 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;
- Ø 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;
- Ø 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;
- Ø 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;
- Ø 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;
- Ø the percentage-of-completion method of accounting for contract revenue may result in material adjustments, which could result in a charge against our earnings;
- Ø procurement of new project awards is very competitive and our failure to compete effectively could reduce our market share and profits;
- Ø conflicts may arise with respect to Ronald N. Tutor, our Chairman and Chief Executive Officer;
- Ø if we are unable to attract and retain key personnel, our reputation may be harmed and our future earnings may be negatively impacted; and
- Ø our acquisition strategy involves a number of risks, which could adversely impact our future revenues and the revenues of the businesses that we acquire.

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The offering

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

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

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

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

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

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Summary consolidated financial data

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

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

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

(1) Income available for common stockholders includes adjustments to net income for (a) accrued and unpaid dividends on our $21.25 Preferred Stock, or $2.125 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 GAAP and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.

(3) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (2) above plus or minus subsequent changes to the estimated total contract price of existing contracts. New business awarded is not a measure defined in GAAP and may not be comparable to that of other companies. Management uses new business awarded to assist in forecasting future results.

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Cautionary note regarding forward-looking statements

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

Use of proceeds

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

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Capitalization

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

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

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

(footnotes continued on following page)

acquisition. The revolving credit facility has a maturity date of June 30, 2008. The new term loan amortizes in equal quarterly principal payments of $1.5 million, with a maturity date of October 14, 2010.

(2) On November 2, 2005, we effected the settlement of the class action lawsuit that had been filed by holders of our $2.125 Depositary Convertible Exchangeable Preferred Shares (Depositary Shares), each of which represents 1/10 of a share of our $21.25 Convertible Exchangeable Preferred Stock. Pursuant to the terms of the settlement, we purchased 374,185 Depositary Shares for a price per Depositary Share equal to $19.00 in cash and one share of our common stock. After consummation of the settlement, 185,088 Depositary Shares remain outstanding.

(3) As of September 30, 2005, there were outstanding 25,629,315 shares of common stock. As of September 30, 2005, options to purchase 504,000 shares of our common stock were outstanding; 195,634 shares were available for future awards under our Special Equity Incentive Plan; and 150,000 shares of common stock were reserved for outstanding restricted stock awards and 700,000 shares were available for future awards under our 2004 Stock Option and Incentive Plan. As of September 30, 2005, we had 370,379 shares of common stock reserved for issuance upon conversion of our $21.25 Preferred Stock at a conversion price of $377.50 per share (or $37.75 per Depositary Share) and 86,688 shares of common stock reserved for issuance upon exercise of stock purchase warrants at an exercise price of $8.30 per share, subject to customary anti-dilution adjustments.

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Market price of our common stock and dividend policy

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

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

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

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

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

OVERVIEW

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

The effect of the change in depreciation policy in 2005 was to increase net income for the nine months ended September 30, 2005 by approximately $0.4 million (all of which relates to the Cherry Hill fixed assets acquired effective January 1, 2005) and to increase both basic and diluted earnings per common share by $0.02. Since the new depreciation policy was applied on a prospective basis and fixed assets acquired prior to May 1, 2005 have continued to be depreciated under the policy previously in effect, the cumulative effect of a change in accounting principle or pro forma effects of retroactive application disclosure is not required in accordance with the provisions of Accounting Principles Board Opinion No. 20, Accounting Changes .

RECENT DEVELOPMENTS

Judgment in Mergentime Perini Joint Venture v. WMATA Matter

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

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

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

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

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

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

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

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

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

Acquisition of Rudolph and Sletten, Inc.

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

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

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

Amended and Restated Credit Agreement

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

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

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

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

Settlement of Preferred Stock Class Action Lawsuit

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

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

Significant New Work Awards

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

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

Backlog Analysis for 2005

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

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

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Compensation of Non-Employee Directors

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

RESULTS OF OPERATIONS

Comparison of the Third Quarter of 2005 with the Third Quarter of 2004

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

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

Overall revenues decreased by $87.4 million (or 18.7%), from $467.8 million in 2004 to $380.4 million in 2005. This decrease was due primarily to a decrease in building construction revenues of $99.6 million (or 28.7%), from $346.6 million in 2004 to $247.0 million in 2005, due primarily to the timing of the start-up of new work in the hospitality and gaming market as the timing of new work awards was slower than anticipated. Management services revenues decreased by $19.0 million (or 25.5%), from $74.5 million in 2004 to $55.5 million in 2005, due primarily to a decreased volume of work related to the rebuilding of Iraq. These decreases were partly offset by an increase in civil construction revenues of $31.2 million (or 66.8%), from $46.7 million in 2004 to $77.9 million in 2005, due primarily to the impact of the Cherry Hill acquisition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

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

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

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

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

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

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

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

As with our previously existing credit agreement, our obligations outstanding under our amended and restated credit agreement are guaranteed by substantially all of our current and future subsidiaries, and are secured by substantially all of our and our subsidiaries assets, including a pledge of all of the capital stock of our subsidiaries.

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

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

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

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

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

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

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

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

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

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

Long-term Debt

Long-term debt at September 30, 2005 was $17.4 million, an increase of $8.8 million from December 31, 2004, due to mortgage debt and equipment financing debt assumed in conjunction with the Cherry Hill acquisition. Accordingly, the long-term debt to equity ratio increased from 0.05x at December 31, 2004 to 0.09x at September 30, 2005.

Dividends

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

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

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

In November 2004, an agreement was reached to settle the class action lawsuit filed by the holders of the Depositary Shares. On September 28, 2005, we announced that the United States District Court for the District of Massachusetts approved the settlement. The settlement and the number of Depositary Shares participating in the settlement became final on October 24, 2005. Under the terms of the settlement, effective November 2, 2005, we purchased all of the 374,185 participating Depositary Shares that were submitted for a purchase price per Depositary Share of $