PERINI CORP
Form 424B3
December 13, 2004
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Registration No. 333-117344

PROSPECTUS SUPPLEMENT

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

11,404,409 Shares

Common Stock

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

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

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

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

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

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

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

No dealer, sales representative or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by us or any other person.

This prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock to which it relates or an offer to, or a solicitation of, any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs or that information contained in this prospectus, Prospectus Supplement No. 1 and the Base Prospectus is correct as of any time subsequent to the date stated or the date hereof.

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RECENT DEVELOPMENTS

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

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

RISK FACTORS

The following risk factors add to and update the risk factors listed on page S-2 of Prospectus Supplement No. 1 and page 5 of the Base Prospectus. You should carefully consider these risks and all other information contained in this prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus before purchasing our common stock. If any such risks occur, our business, prospects, reputation, results of operations or financial condition could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment. This prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below as well as those described in Prospectus Supplement No. 1 and the Base Prospectus.

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

Approximately 19% of our revenues for the nine months ended September 30, 2004 were derived from our work on projects located outside of the United States. We expect non-U.S. projects to continue to contribute significantly to our revenue and earnings for the foreseeable future. Our international operations expose us to risks inherent in doing business outside the United States, including:

- political risks, including risks of loss due to civil disturbances, acts of terrorism, acts of war, guerilla activities and insurrection;
- unstable economic, financial and market conditions;
- potential incompatibility with foreign joint venture partners;

- foreign currency controls and fluctuations;
- trade restrictions;
- increases in taxes; and
- changes in labor conditions, labor strikes and difficulties in staffing and managing international operations.

Any of these factors could harm our international operations and, consequently, our business and consolidated operating results. In addition, failure to successfully manage international growth could result in

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higher operating costs than anticipated or could delay or preclude altogether our ability to generate revenues in key international markets.

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

We generally enter into four principal types of contracts with our clients: fixed price contracts, cost plus fee contracts, guaranteed maximum price contracts, and, to a lesser extent, construction management, or design-build, contracts. A significant portion of our revenues and backlog are derived from fixed price contracts. For example, approximately 19% of our revenues for the nine months ended September 30, 2004 were derived from fixed price contracts. Fixed price contracts require us to perform the contract for a fixed price irrespective of our actual costs. As a result, we realize a profit on these contracts only if we successfully control our costs and avoid cost overruns. Cost plus fee contracts provide for reimbursement of the costs required to complete a project, but generally have a lower base fee and an incentive fee based on cost and/or schedule performance. If our costs exceed the revenues available under such a contract or are not allowable under the provisions of the contract, we may not receive reimbursement for these costs. Guaranteed maximum price contracts provide for a cost plus fee arrangement up to a maximum agreed-upon price. These contracts also place the risk on us for cost overruns that exceed the guaranteed maximum price. Construction management and design-build contracts are those under which we agree to manage a project for the client for an agreed-upon fee, which may be fixed or may vary based upon negotiated factors. Profitability on these types of contracts is driven by changes in the scope of work or design issues, which could cause cost overruns beyond our control and limit profits on these contracts.

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

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

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

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

In addition, our credit facility prohibits us from incurring any debt, other than debt incurred for financing our corporate headquarters, insurance premiums and construction equipment, from other sources without the consent of our lenders. The amount available to us under our credit facility at September 30, 2004 was $47.2 million.

Our credit facility contains financial covenants that require us to maintain minimum tangible net worth, fixed charge coverage and operating profit levels as well as a minimum working capital ratio. Our ability to borrow funds for any purpose will depend on our satisfying these tests. If we are unable to meet the terms of the financial covenants or fail to comply with any of the other restrictions contained in our credit facility, an event of default could occur. An event of default, if not waived by our lenders, could result in the acceleration of any outstanding indebtedness, causing such debt to become immediately due and payable. If such an acceleration occurs, we may not be able to repay such indebtedness on a timely basis. Because our credit facility is secured by

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substantially all of our assets, acceleration of indebtedness under our credit facility could result in foreclosure of those assets. In the event of a foreclosure, we would be unable to conduct our business and may be forced to discontinue ongoing operations.

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

As of September 30, 2004, our backlog was approximately $1.242 billion. We include a construction project in our backlog at such time as a contract is awarded or a firm letter of commitment is obtained and funding is in place. The revenue projected in our backlog may not be realized or, if realized, may not result in profits. For example, if a project reflected in our backlog is terminated, suspended or reduced in scope, it would result in a reduction to our backlog which would reduce, potentially to a material extent, the revenue and profit we actually receive from contracts in backlog. If a client cancels a project, we may be reimbursed for certain costs but typically have no contractual right to the total revenues reflected in our backlog. Significant cancellations or delays of projects in our backlog could have a material adverse effect on our revenues and profits.

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

Ronald N. Tutor, our chief executive officer and chairman of our Board of Directors, is the sole shareholder and chief executive officer of Tutor-Saliba Corporation, or Tutor-Saliba, a California corporation that owns approximately 13.5% of our outstanding common stock. Mr. Tutor also devotes a substantial amount of time to the business activities of Tutor-Saliba. Tutor-Saliba is engaged in the construction industry, and, as described under Certain Transactions, we have participated in joint ventures with Tutor-Saliba and expect to continue to do so. Although our joint ventures with Tutor-Saliba are discussed with our Audit Committee, transactions we enter into with Tutor-Saliba could be influenced by Mr. Tutor. As in any joint venture, we could have disagreements with Tutor-Saliba over the operation of the joint ventures or the joint ventures could be involved in disputes with third parties, such as the litigation described under Business Legal Proceedings, where we may or may not have an identity of interest with Tutor-Saliba. When such situations arise, we may feel constrained in aggressively pursuing all options available to us because of Mr. Tutor s importance to us as our Chief Executive Officer and Chairman and a significant shareholder. If we face such a situation and elect to pursue options against Tutor-Saliba, it is possible that Mr. Tutor or we could terminate his management relationship with us, which could harm our reputation and impact our ability to procure future projects.

Risks Relating to Our Common Stock

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

As of September 30, 2004, the number of shares of our outstanding common stock freely tradeable on the New York Stock Exchange and not owned by our officers, directors, or affiliates was approximately 12.6 million.

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

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

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

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

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dissemination by means of the shares offered hereto, we are uncertain as to whether a more active trading market in our common stock will develop. As a result, relatively small trades may have a significant impact on the price of our common stock.

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

As of September 30, 2004, the percentage of shares of our common stock owned by our executive officers, directors and 5% stockholders is approximately 48%. These stockholders have the ability to significantly influence the outcome of the election of most of our directors, and the approval of any action requiring majority approval of our common stockholders, including certain amendments to our charter. In addition, without the consent of these stockholders, we may not be able to enter into transactions that could be beneficial to us or our other stockholders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus, including under the sections titled Management s Discussion and Analysis of Financial Condition and Results of Operations, that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 including, without limitation, statements regarding us or our management s expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the headings Risk Factors in this prospectus supplement, Prospectus Supplement No. 1 and the Base Prospectus. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as may be required under applicable securities laws.

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PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

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

(In Thousands)

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

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

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

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PERINI CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)

(In Thousands, Except Share and Per Share Data)

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