Primoris Services Corp
Form 10-K
March 16, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 0001-34145

Primoris Services Corporation

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-4743916** (I.R.S. Employer Identification No.)
2100 McKinney Avenue, Suite 1500 **Dallas, Texas** (Address of principal executive offices)	**75201** (Zip Code)

(214) 740-5600

(Registrant s telephone number, including area code)

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

Title of each class	**Name of exchange on which registered**
Common Stock, $0.0001 par value	The NASDAQ Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the voting common equity held by non-affiliates of the registrant was approximately $1,157.7 million based upon the closing price of such common equity as of June 30, 2014 (the last business day of the Registrant s most recently completed second fiscal quarter). On March 16, 2015, there were 51,569,564 shares of common stock, par value $0.0001, outstanding. For purposes of this Annual Report on Form 10-K, in addition to those stockholders which fall within the definition of affiliates under Rule 405 of the Securities Act of 1933, holders of ten percent or more of the Registrant s common stock are deemed to be affiliates.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are subject to the safe harbor created by those sections. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of regulation and the economy, generally. Forward-looking statements include all statements that are not historical facts and usually can be identified by terms such as anticipates, believes, could, estimates, expects, intends, may, plans, potential, predicts, projects, should, will, would or similar expressions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss many of these risks in detail in Item 1A. Risk Factors . You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect.

Given these uncertainties, you should not place undue reliance on forward-looking statements. Forward-looking statements represent our management s beliefs and assumptions only as of the date of this Annual Report on Form 10-K. We assume no obligation to update forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available.

PART I

ITEM 1. BUSINESS

Business Overview

Primoris Services Corporation (Primoris , the Company , we , us or our) is a holding company of various subsidiaries, which form one of the larger publicly traded specialty construction and infrastructure companies in the United States. Serving diverse end-markets, we provide a wide range of construction, fabrication, maintenance, replacement, water and wastewater, and engineering services to major public utilities, petrochemical companies, energy companies, municipalities, state departments of transportation and other customers. Growing both organically and through acquisitions, Primoris has more than doubled its revenues since 2010. The Company s national footprint now extends nearly nationwide and into Canada.

We install, replace, repair and rehabilitate natural gas, refined product, water and wastewater pipeline systems; large diameter gas and liquid pipeline facilities; and heavy civil projects, earthwork and site development. We also construct mechanical facilities and other structures, including power plants, petrochemical facilities, refineries, water and wastewater treatment facilities and parking structures. Finally, we provide specialized process and product engineering services.

The Company s common stock trades on the NASDAQ Select Global Market under the symbol PRIM . Founded as ARB, Inc. in 1960, we became organized as Primoris in Nevada in 2003, and we became a Delaware public company in July 2008 when we merged with a special purpose acquisition company (a non-operating shell).

Our service capabilities and geographic footprint have expanded primarily through the following four acquisitions.

In 2009, we acquired James Construction Group, LLC, a privately-held Florida limited liability company (JCG). Headquartered in Baton Rouge, Louisiana, JCG is one of the largest general contractors based in the Gulf Coast states and is engaged in highway, industrial and environmental construction, primarily in Louisiana, Texas, Mississippi and Florida. JCG is the successor company to T. L. James and Company, Inc., a Louisiana company that has been in business for over 80 years.

In 2010, we acquired privately-held Rockford Corporation (Rockford). While it is based in Hillsboro (Portland), Oregon, Rockford specializes in construction of large diameter natural gas and liquid pipeline projects and related facilities throughout the United States.

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In March 2012, we purchased Sprint Pipeline Services, L.P. (Sprint), a Texas based company headquartered in Pearland (outside Houston). Sprint provides a comprehensive range of pipeline construction, maintenance, upgrade, fabrication and specialty services primarily in the southeastern United States. In accordance with the terms of the purchase agreement, we changed the name of the Sprint operations to Primoris Pipeline Services in March 2015.

In November 2012, we purchased Q3 Contracting, Inc., a privately-held Minnesota corporation (Q3C). Based in Little Canada, Minnesota (north of St. Paul), Q3C specializes in small diameter pipeline and gas distribution construction, restoration and other services, primarily in the upper Midwest region of the United States.

In addition to these primary acquisitions, we have entered into several smaller agreements to purchase businesses or business assets to start a business as we continue to seek opportunities to expand our skill sets or operating locations. In 2012, we acquired The Saxon Group (Saxon) and The Silva Group (Silva) (merged with JCG), and in 2013, we acquired Force Specialty Services, Inc. (FSSI). During 2014 we acquired Vadnais Trenchless Services, Inc. (Vadnais) and made three small acquisitions during the third quarter 2014 which consisted of the net assets of Surber Roustabout, LLC (Surber), Ram-Fab, LLC (Ram-Fab) and Williams Testing, LLC (Williams). We continue to evaluate potential acquisition candidates especially those with strong management teams with good reputations.

Reportable Segments

For a number of years and through the end of the second quarter 2014, the Company segregated its business into three operating segments: the East Construction Services segment, the West Construction Services segment and the Engineering segment. In the third quarter 2014, the Company reorganized its business segments to match the change in the Company s internal organization and management structure. The segment changes during the quarter reflect the focus of our new chief operating officer on the services we provide to our energy related customers, primarily in the Gulf Coast area (the Energy segment) and a continuing geographic view for the West and East segments. The chief operating officer regularly reviews the operating and financial performance based on these revised segments. The operating segments include: The West Construction Services segment (West segment), which is unchanged from the previous segment, the East Construction Services segment (East segment), which is realigned from the previous East Construction Services segment and the Energy segment (which includes the previous Engineering segment). All prior period amounts related to the segment change have been retrospectively reclassified throughout these consolidated financial statements to conform to the new presentation. The following is a brief description of each of the Company s reportable segments and business activities.

The West segment includes the underground and industrial operations and construction services performed by ARB, ARB Structures, Inc., Rockford, Alaska Continental Pipeline, Inc., Q3C, Primoris Renewables, LLC, Juniper Rock Corporation, Stellaris, LLC and Vadnais, acquired in June 2014. Most of the entities perform work primarily in California; however, Rockford operates throughout the United States and Q3C operates in Colorado and the upper Midwest United States. The Blythe joint venture is also included as a part of the segment. The West segment consists of businesses headquartered primarily in the western United States.

The East segment includes the JCG Heavy Civil division, the JCG Infrastructure and Maintenance division, BW Primoris and Cardinal Contractors, Inc. construction business, located primarily in the southeastern United States and in the Gulf Coast region of the United States and includes the heavy civil construction and infrastructure and maintenance operations.

The Energy segment businesses are located primarily in the southeastern United States and in the Gulf Coast region of the United States. The segment includes the operations of the PES pipeline and gas facility construction and maintenance operations, the JCG Industrial division and the newly acquired Surber and Ram-Fab operations. Additionally, the segment includes the OnQuest, Inc. and OnQuest Canada, ULC operations for the design and installation of high-performance furnaces and heaters for the oil refining, petrochemical and power generation industries.

Each of the three segments specializes in a range of services that include designing, building/installing, replacing, repairing/rehabilitating and providing management services for construction related projects. Our services include:

- Providing installation of underground pipeline, cable and conduits for entities in the petroleum, petrochemical and water industries;

- Providing maintenance services to utilities for installation and repair of gas distribution lines;

- Providing installation and maintenance of industrial facilities for entities in the petroleum, petrochemical and water industries;

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- Providing installation of complex commercial and industrial cast-in-place structures;
- Providing construction of highways and bridges; and
- Providing industrial and environmental construction.

A discussion regarding the revenues and operating results for each segment is found in in Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations* of this Annual Report on Form 10-K.

Trends

We continue to operate in an uncertain business environment with increasing regulatory requirements and only gradual recovery in the economy from the recessionary levels of the past few years. Economic and regulatory issues have adversely affected our customers and have affected demand for our services. For some of our customers, the additional uncertainty associated with state and federal budgets adds to the difficulty in predicting the timing or magnitude that industry trends may have on our business, particularly in the near-term.

For our underground services, we are in a period of uncertainty caused by the significant decline in oil prices since the middle of 2014. We expect that the decline will impact underground pipeline opportunities in oil and gas gathering lines, compressor systems and related infrastructure especially in the shale formations. In the near term we do not expect a significant decline in mid-stream pipelines as the existing pipeline infrastructure appears to be insufficient to meet the continuing natural gas demand which could lead to opportunities for new pipeline construction. In many cases, customers have invested significant time and money in obtaining regulatory approval, purchasing raw materials and obtaining end-user agreements for mid-stream lines; therefore, we anticipate that the customers will complete their pipeline projects. We believe that these integrity testing requirements will increase the demand for our underground services. We have the ability to offer construction and maintenance of large diameter pipeline and mid-stream pipeline in both our West and Energy segments.

The U.S. Energy Information Administration has stated that the number of natural gas-fired power plants built will increase significantly over the next two decades. While renewable energy generation continues to increase and become a larger percentage of the overall power generation mix, natural gas facilities, especially the conversion of current facilities to more efficient sources of power, will provide a significant contribution to the revenue and profitability of the West segment and over the next few years also the Energy segment. Regulations limiting the discharge of cooling water into the ocean will require construction of alternative cooling systems and may lead to repowering at current sites over the next four to six years in California.

As many states institute renewable power standards mandating renewable energy generation as a part of the total power usage, large, utility-scale projects will provide construction opportunities over the next few years. In many locations, the development and construction of solar and wind facilities may result in a need for peaker plants to meet demand when the renewable resources are not available. In addition, alternative energy sources such as waste-to-power facilities provide long-term construction opportunities. The low long-term natural gas prices and the increased emission regulations of the Environmental Protection Agency may result in the construction of gas-fired power plants as an alternative to coal-fired plants. We believe that our gas-fired plant experience and industry knowledge will provide opportunities for us.

The continuing long-term low cost of natural gas is leading to industrial opportunities as chemical plants that use natural gas as a feedstock initiate new projects or expand current facilities. Construction for many of these projects is expected in the Louisiana and Texas Gulf coast region which requires significant site preparation work as part of the project. Both our East and Energy segments provide services to many of the companies planning facility additions.

The low price and abundance of natural gas may also lead to the development and construction of liquid natural gas (LNG) export facilities since natural gas prices in many international markets are greater than those in the United States. Future export LNG facilities could also provide opportunity for construction of additional pipelines. In addition, the development of small LNG facilities could provide opportunity for both our East and Energy segments.

Our highway construction services continue to operate in a challenging market in the near-term. Declining tax revenues, budget deficits, financing constraints and competing priorities have resulted in cutbacks in new infrastructure projects in the public sector. Some funding sources that have been specifically earmarked for infrastructure spending, such as diesel and gasoline taxes, have generated less revenue for government agencies as actual consumption is reduced. Offsetting these financial challenges is the need for continuing improvements and additions in highway infrastructure and the perception of federal and state funding of transportation projects as an investment in infrastructure. Our highway construction operation is focused on the states of Louisiana, Texas and Mississippi. Of these states, Texas continues to increase its highway construction budget while the other two states have cut back in the current environment.

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Over the past few years, several areas of the United States have suffered significant drought-like conditions. In these areas, state and municipal officials are considering using alternative sources for potable water, including using water pipelines to transport water from distant aquifers or building complex water treatment facilities to treat non-potable water. In some areas such as West Texas, state agencies are contemplating significant investment to improve the quantity of water. These investments may provide an opportunity for our East segment services.

Strategy

Our strategy continues to emphasize the following key elements:

- *Diversification Through Controlled Expansion.* We continue to emphasize the expansion of our scope of services beyond our traditional focus by increasing the scope of services offered to current customers and by adding new customers. We intend to continue to evaluate acquisitions that offer growth opportunities and the ability to leverage our resources as a leading service provider to the oil and gas, power, refining and water industries. Our strategy also considers potential selective expansion to new geographic regions.

- *Emphasis on Retention of Existing Customers and Recurring Revenue.* In order to fully leverage our relationships with our existing customer base, we believe it is important to maintain strong customer relationships and to expand our base of recurring revenue sources and recurring customers.

- *Ownership of Equipment.* Many of our services are equipment intensive. The cost of construction equipment, and in some cases the availability of construction equipment, provides a significant barrier to entry into several of our businesses. We believe that our ownership of a large and varied construction fleet and our maintenance facilities enhances our access to reliable equipment at a favorable cost.

- *Stable Work Force.* In each of our separate segments, we maintain a stable work force of skilled, experienced laborers, many of whom are cross-trained in projects such as pipeline and facility construction, refinery maintenance, and piping systems.

- *Selective Bidding.* We selectively bid on projects that we believe offer an opportunity to meet our profitability objectives, or that offer the opportunity to enter promising new markets. In addition, we review our bidding opportunities to attempt to minimize concentration of work with any one customer, in any one industry, or in stressed labor markets. We believe that by carefully positioning ourselves in market segments that have meaningful barriers of entry, we can position ourselves so that we compete with other strong, experienced bidders.

- *Maintain a conservative capital structure and strong balance sheet.* We have maintained a capital structure that provides access to debt financing as needed while relying on tangible net worth to provide the primary support for our operations. We believe this structure provides both our customers and banks and bonding companies assurance of our financial capabilities. We maintain a revolving credit facility to provide letter of credit capability; however, we have not had any outstanding bank borrowing against this facility while we have been a public company.

Backlog

Backlog is discussed in Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations* of this Annual Report on Form 10-K.

Customers

Historically, we have longstanding relationships with major utility, refining, petrochemical, power and engineering companies. We have completed major underground and industrial projects for a number of large natural gas transmission and petrochemical companies in the western United States, as well as significant projects for our engineering customers. Through JCG, we expanded our customer base to include a significant presence in the Gulf Coast region of the United States, with Q3C, expanded into the upper Midwest United States and with Rockford we are expanding throughout the United States. The various acquisitions

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have also changed the composition of our customer base with significant increases in public state agency projects. We enter into a large number of contracts each year and the projects can vary in length from several weeks, to as long as 48 months for completion on larger projects. Although we have not been dependent upon any one customer in any year, a small number of customers tend to constitute a substantial portion of our total revenues.

Our customers have included many of the leading energy and utility companies in the United States, including, among others, Enterprise Liquids Pipeline, Xcel Energy, Pacific Gas & Electric, Southern California Gas, Sempra Energy, Williams, NRG, Chevron, Calpine, and Kinder Morgan.

The following customers accounted for more than 5% of our revenues in the periods indicated:

Description of customer s business	**2014**	**2013**	**2012**
Texas DOT	8.8%	7.2%	5.8%
Petrochemical producer	7.9%	*	*
Private Gas and electric utility	7.0%	5.4%	*
Public gas and electric utility	6.9%	7.9%	14.6%
Pipeline operator	5.8%	*	*
Gas utility	*	7.4%	5.6%
Private gas and electric utility	*	*	6.9%
Gas utility	*	7.7%	*
Louisiana DOT	*	*	11.1%
Totals	36.4%	35.6%	44.0%

(*) Indicates a customer with less than 5% of revenues during such period.

As shown in the table, the customers accounting for revenues in excess of 5% each year varies from year to year due to the nature of our business. A large construction project for a customer may result in significant revenues in that particular year, with significantly less revenues in subsequent years after project completion.

For the years ended December 31, 2014, 2013 and 2012, approximately 53.6%, 50.0% and 55.9%, respectively, of total revenues were generated from the top ten customers of the Company in each year. In each of the years, a different group of customers comprised the top ten customers by revenue.

Management at each of our operating units is responsible for developing and maintaining successful long-term relationships with customers. Our operating unit management teams build existing customer relationships to secure additional projects and increase revenue from our current customer base. Operating unit managers are also responsible for pursuing growth opportunities with prospective new customers.

We believe that our strategic relationships with customers will result in future opportunities. Some of our strategic relationships are in the form of strategic alliance or long-term maintenance agreements. However, we realize that future opportunities also require cost effective bids as pricing is a key element for most construction projects.

Ongoing Projects

The following is a summary of significant ongoing construction projects demonstrating our capabilities in different markets at December 31, 2014:

Segment	Project	Location		Approximate Contract Amount (Millions)	Estimated Completion Date		Remaining Backlog at December 31, 2014 (Millions)
West	89 mile 36 crude oil pipeline	Rosenburg, TX	$	133	09/2015	$	132
West	71 MW Power plant project	Pasadena, CA	$	55	05/2016	$	48
East	IH 35 from S.363 to N.363	Temple, TX	$	250	06/2017	$	217
East	IH 35 Salado to Belton	Salado, TX	$	127	10/2015	$	88
Energy	Industrial facility	Lake Charles, LA	$	165	12/2016	$	165
Energy	100,000 GPD LNG plant	Miami, FL	$	27	9/2015	$	25

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Competition

We face substantial competition on large construction projects from both regional and national contractors. Competitors on small construction projects range from a few large construction companies to a variety of smaller contractors. We compete with many local and regional firms for construction services and with a number of large firms on select projects. Each business segment faces varied competition depending on the type of project and services offered.

We compete with different companies in different end markets. Large competitors in our underground markets include Quanta Services, Inc., MasTec Inc. and Willbros Group; competitors in our industrial end markets include Kiewit Corporation; and competitors in our highway services include Sterling Construction Company, and privately-held Boh Brothers and Zachary Construction Company. In each market we also compete with local, private companies.

We believe that the primary factors influencing competition in our industry are price, reputation for quality, delivery and safety, relevant experience, availability of skilled labor, machinery and equipment, financial strength, knowledge of local markets and conditions, and estimating abilities. We believe that we compete favorably in all of the foregoing factors.

Geographic Areas Financial Information

The majority of the Company s revenues are derived from customers in the United States and approximately 1% is generated from sources outside the United States. Assets located outside the United States also represent approximately 1% of total assets of the Company. Our revenue from operations in the United States is related to projects primarily in the geographic United States. Our revenue from operations in Canada is primarily derived from our Energy segment s office in Calgary, Canada, but relates to specific projects in other countries, especially in the Far East and Australia.

Risks Attendant to Foreign Operations

In 2014 approximately 1.0% of our revenue was attributable to external customers in foreign countries. The current expectation is that a similar portion of revenue will continue to come from international projects for the foreseeable future. Though a small portion of our revenues, international operations are subject to foreign economic and political uncertainties and risks as disclosed more fully in Item 1A *Risk Factors* of this Annual Report. Unexpected and adverse changes in the foreign countries in which we operate could result in project disruptions, increased costs and potential losses. Our business is subject to fluctuations in demand and to changing domestic and international economic and political conditions which are beyond our control.

Contract Provisions and Subcontracting

We typically structure contracts as unit-price, time and material, fixed-price or cost plus fixed fee. A substantial portion of our revenue is derived from contracts that are fixed price or fixed unit price contracts. Under a fixed price contract, we undertake to provide labor, equipment and services required by a project for a competitively bid or negotiated fixed price. The materials required under a fixed price contract, such as pipe, turbines, boilers and vessels are often supplied by the party retaining us. Under a fixed unit price contract, we are committed to providing materials or services required by a project at fixed unit prices. While the fixed unit price contract shifts the risk of estimating the quantity of units required for a particular project to the party retaining us, any increase in our unit cost over the unit price bid, whether due to inflation, inefficiency, faulty estimates or other factors, is borne by us.

Construction contracts are primarily obtained through competitive bidding or through negotiations with long-standing customers. We are typically invited to bid on projects undertaken by recurring customers who maintain pre-qualified contractor lists. Contractors are selected for the pre-approved contractor lists by virtue of their prior performance for such customers, as well as their experience, reputation for quality, safety record, financial strength and bonding capacity.

In evaluating bid opportunities, we consider such factors as the customer, the geographic location of the work, the availability of labor, our competitive advantage or disadvantage relative to other likely contractors, our current and projected workload, the likelihood of additional work, and the project s cost and profitability estimates. We use computer-based estimating systems and our estimating staff has significant experience in the construction industry. The project estimates form the basis of a project budget against which performance is tracked through a project cost system, thereby enabling management to monitor a project. Project costs are accumulated and monitored weekly against billings and payments to assure proper control of cash flow on the project.

Most contracts provide for termination of the contract for the convenience of the owner. In addition, many contracts are subject to certain completion schedule requirements with liquidated damages in the event schedules are not met. To date, these provisions have not materially adversely affected us.

We act as prime contractor on a majority of the construction projects we undertake. In the construction industry, the prime contractor is normally responsible for the performance of the entire contract, including subcontract work. Thus, we are potentially subject to increased costs associated with the failure of one or more subcontractors to perform as anticipated. While we subcontract specialized activities such as blasting, hazardous waste removal and electrical work, we perform most of the work on our projects with our own resources, including labor and equipment.

Our gas distribution services are typically provided pursuant to renewable contracts on a unit-cost basis. Fees on unit-cost contracts are negotiated and are earned based on units completed. Historically, substantially all of the gas distribution customers have renewed their maintenance contracts. Facilities maintenance services, such as regularly scheduled and emergency repair work, are provided on an ongoing basis at predetermined rates.

Risk Management, Insurance and Bonding

We maintain general liability and excess liability insurance, covering our construction equipment, and workers compensation insurance, in amounts consistent with industry practices. In the States of California, Texas and Louisiana, we self-insure our workers compensation claims in an amount of up to $250,000 per occurrence, and we maintain insurance covering larger claims. In addition, we maintain umbrella coverage. We believe that our insurance programs are adequate.

We maintain a diligent safety and risk management program that has resulted in a favorable loss experience factor. Through our safety director and the employment of a large staff of regional and site specific safety managers, we have been able to effectively assess and control potential losses and liabilities in both the pre-construction and performance phases of our projects. Though we strongly focus on safety in the workplace, we cannot give assurances that we can prevent or reduce all injuries or claims in our workplace.

In connection with our business, we generally are required to provide various types of surety bonds guaranteeing our performance under certain public and private sector contracts. Our ability to obtain surety bonds depends upon our capitalization, working capital, backlog, past performance, management expertise and other factors and the surety company s current underwriting standards. To date, we have obtained the level of surety bonds necessary for the needs of our business.

Regulation

Our operations are subject to various federal, state, local and international laws and regulations including:

- Licensing, permitting and inspection requirements;
- Regulations relating to worker safety, including those established by the Occupational Safety and Health Administration;
- Permitting and inspection requirements applicable to construction projects; and
- Contractor licensing requirements.

We believe that we have all the licenses required to conduct our operations and that we are in substantial compliance with applicable regulatory requirements.

Environmental Matters and Climate Change Impacts

We are subject to numerous federal, state, local and international environmental laws and regulations governing our operations, including the handling, transportation and disposal of non-hazardous and hazardous substances and wastes, as well as emissions and discharges into the environment, including discharges to air, surface water, groundwater and soil. We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment. Under some of these laws and regulations, liability can be imposed for cleanup of previously owned or operated properties, or properties to which hazardous substances or wastes were sent by current or former operations at our facilities, regardless of whether we directly caused the contamination or violated any law at the time of discharge or disposal. The presence of contamination from such substances or wastes could interfere with ongoing operations or adversely affect our ability to sell, lease or use our properties as collateral for financing.

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In addition, we could be held liable for significant penalties and damages under certain environmental laws and regulations and also could be subject to a revocation of our licenses or permits, which could materially and adversely affect our business and results of operations. Our contracts with our customers may also impose liabilities on us regarding environmental issues that arise through the performance of our services. From time to time, we may incur costs and obligations for correcting environmental noncompliance matters and for remediation at or relating to certain of our properties. We believe that we are in substantial compliance with our environmental obligations to date and that any such obligations will not have a material adverse effect on our business or financial performance.

The potential physical impact of climate change on our operations are highly uncertain. Climate change may result in, among other things, changes in rainfall patterns, storm patterns and intensities and temperature levels. As discussed elsewhere in this Annual Report on Form 10-K, including in Item 1A. *Risk Factors* , our operating results are significantly influenced by weather. Therefore, major changes in historical weather patterns could significantly impact our future operating results. For example, if climate change results in significantly more adverse weather conditions in a given period, we could experience reduced productivity, which could negatively impact our revenues and gross margins.

Climate change could also affect our customers and the types of projects that they award. Demand for power projects, underground pipelines or highway projects could be affected by significant changes in weather. Reductions in project awards could adversely affect our operations and financial performance.

Employees

We believe that our employees are our most valuable resource in successfully completing construction work. Our ability to maintain sufficient continuous work for approximately 5,000 hourly employees helps us to instill in our employees loyalty to and understanding of our policies and contributes to our strong production, safety and quality record.

As of December 31, 2014, we employed approximately 1,267 salaried employees and approximately 5,490 hourly employees. The total number of hourly personnel employed is subject to the volume of construction in progress. During the calendar year 2014, the aggregate number of employees ranged from approximately 6,500 to 8,700.

The following is a summary of employees by function and geography as of December 31, 2014:

	CA	LA	TX	CO	FL	MN	Other US	Canada	Total
Salaried	309	208	435	83	39	68	95	30	1,267
Hourly	1183	1,320	1,381	415	163	247	781	0	5,490
Total	1,492	1,528	1,816	498	202	315	876	30	6,757

Several of our subsidiaries have operations that are unionized through the negotiation and execution of collective bargaining agreements. These collective bargaining agreements have varying terms and are subject to renegotiation upon expiration. We have not experienced recent work stoppages and believe our employee and union relations are good.

Website Access and Other Information

Our website address is www.prim.com. You may obtain free electronic copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports through our website under the Investor Relations tab or through the website of the Securities and Exchange Commission (the SEC) at www.sec.gov. These reports are available on our website as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. In addition, our Corporate Governance Guidelines, Code of Ethics and Business Conduct (including a separate code which applies to our CEO, CFO and senior financial executives) and the charters of our Audit Committee, Compensation Committee and Governance and Nominating Committee are posted on our website under the Investor Relations/Corporate Governance tab. We intend to disclose on our website any amendments or waivers to our Code of Ethics and Business Conduct that are required to be disclosed pursuant to Item 5.05 of Form 8-K. You may obtain copies of these items from our website.

We will make available to any stockholder, without charge, copies of our Annual Report on Form 10-K as filed with the SEC. For copies of this or any other information, stockholders should submit a request in writing to Primoris Services, Inc., Attn: Corporate Secretary, 2100 McKinney Avenue, Suite 1500, Dallas, TX 75201.

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This Annual Report on Form 10-K and our website may contain information provided by other sources that we believe are reliable. However, we cannot assure you that the information obtained from other sources is accurate or complete. No information on our website is incorporated by reference herein and should not be considered part of this Annual Report.

ITEM 1A. RISK FACTORS

Our business is subject to a variety of risks and uncertainties, many of which are described below. The following list is not all-inclusive, and there can be no assurance that we have correctly identified and appropriately assessed all factors affecting our business or that the publicly available and other information with respect to these matters is complete and correct. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may have a material adverse effects on our business, financial condition and results of operations in the future.

Risks Related Primarily to Operating our Business

Our financial and operating results may vary significantly from quarter-to-quarter and year-to-year.

Our business is subject to seasonal and annual fluctuations. Some of the quarterly variation is the result of weather, particularly rain and snow, which create difficult operating conditions. Similarly, demand for routine repair and maintenance services for gas utilities is lower during their peak customer needs in the winter. Some of the annual variation is the result of large construction projects which fluctuate based on general economic conditions and customer needs. Annual and quarterly results may also be adversely affected by:

- Changes in our mix of customers, projects, contracts and business;
- Regional and/or general economic conditions;
- Variations and changes in the margins of projects performed during any particular quarter;
- Increases in the costs to perform services caused by changing weather conditions;
- The termination of existing agreements or contracts;
- The budgetary spending patterns of customers;
- Increases in construction costs that we may be unable to pass through to our customers;
- Cost or schedule overruns on fixed-price contracts;
- Availability of qualified labor for specific projects;

- Changes in bonding requirements and bonding availability for existing and new agreements;
- Costs we incur to support growth whether organic or through acquisitions;
- The timing and volume of work under contract; and
- Losses experienced in our operations.

As a result, our operating results in any particular quarter may not be indicative of the operating results expected for any other quarter or for an entire year.

Demand for our services may decrease during economic recessions or volatile economic cycles, and the reduction in demand in end markets may adversely affect our business.

A substantial portion of our revenues and profits is generated from construction projects the awarding of which we do not directly control. The engineering and construction industry historically has experienced cyclical fluctuations in financial results due to economic recessions, downturns in business cycles of our customers, material shortages, price increases by subcontractors, interest rate fluctuations and other economic factors beyond our control. When the general level of economic activity deteriorates, our customers may delay or cancel upgrades, expansions, and/or maintenance and repairs to their systems. Many factors, including the financial condition of the industry, could adversely affect our customers and their willingness to fund capital expenditures in the future.

Traditionally, the construction industry has lagged recoveries in the general economy. While economic conditions have improved in general, economic, regulatory and market conditions affecting some of our specific end markets may adversely impact the demand for our services, resulting in the delay, reduction or cancellation of certain projects and these conditions may continue to adversely affect us in the future.

Much of the work that we perform in the highway markets involves funding by federal, state and local governments. In the current budgetary and political environment, funding for these projects could be reduced significantly, which could have a material adverse effect on our operations and financial results.

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We are also dependent on the amount of work our customers outsource. In a slower economy, our customers may decide to outsource less infrastructure services reducing demand for our services. In addition, consolidation, competition or capital constraints in the industries we serve may result in reduced spending by our customers.

Industry trends and government regulations could reduce demand for our pipeline construction services.

The demand for our pipeline construction services is dependent on the level of capital project spending by companies in the oil and gas industry. This level of spending is subject to large fluctuations depending primarily on the current and expectations of future prices of oil and natural gas. The price is a function of many factors, including levels of supply and demand, government policies and regulations, oil industry refining capacity and the potential development of alternative fuels. Since the middle of 2014, there has been a significant decrease in oil prices caused partially by a significant increase in the supply of natural gas due to the development of North American shale formations. If the lower price results in a decrease in activity in the discovery or development of oil and gas reserves, customers could reduce their capital spending on underground projects which could result in a reduction of demand for our services which could adversely affect our overall financial position, results of operations and cash flow.

Specific government decisions could affect demand for our construction services. For example, a limitation on the use of fracking technology, or creation of significant regulatory issues for the construction of underground pipelines, could significantly affect the revenues and profitability of our operations.

Many of our customers are regulated by federal and state government agencies and the addition of new regulations or changes to existing regulations may adversely impact demand for our services and the profitability of those services.

Many of our energy customers are regulated by FERC, and our utility customers are regulated by state public utility commissions. These agencies could change the way in which they interpret current regulations and may impose additional regulations. These changes could have an adverse effect on our customers and the profitability of the services they provide which could reduce demand for our services, adversely affect our results of operations, cash flows and liquidity.

Our business may be materially adversely impacted by regional, national and/or global requirements to significantly limit or reduce greenhouse gas emissions in the future.

Greenhouse gases that result from human activities, including burning of fossil fuels, are the focus of increased scientific and political scrutiny and may be subjected to various legal requirements. International agreements, federal laws, state laws and various regulatory schemes limit or otherwise regulate emissions of greenhouse gases, and additional restrictions are under consideration by different governmental entities. We derive a significant amount of revenues and contract profits from engineering and construction services to clients that own and/or operate a wide range of process plants and own and/or operate electric power generating plants that generate electricity from burning natural gas or various types of solid fuels. These plants may emit greenhouse gases as part of the process to generate electricity or other products. Compliance with the existing greenhouse gas regulation may prove costly or difficult. It is possible that owners and operators of existing or future process plants and electric generating plants could be subject to new or changed environmental regulations that result in significantly limiting or reducing the amounts of greenhouse gas emissions, increasing the cost of emitting such gases or requiring emissions allowances. The costs of controlling such emissions or obtaining required emissions allowances could be significant. It also is possible that necessary controls or allowances may not be available. Such regulations could negatively impact client investments in capital projects in our markets, which could negatively impact the market for our products and/or services. This could materially adversely affect our business, financial condition, results of operations and cash flows.

In addition, the establishment of rules limiting greenhouse gas emissions could impact our ability to perform construction services or to perform these services with current levels of profitability. New regulations may require us to acquire different equipment or change processes. The new equipment may not be available or may not be purchased or rented in a cost effective manner. Project deferrals, delays or cancellations resulting from the potential regulations could adversely impact our business.

Changes to renewable portfolio standards and decreased demand for renewable energy projects could negatively impact our future results of operations, cash flows and liquidity.

A significant portion of our future business may be focused on providing construction and/or installation services to owners and operators of solar power and other renewable energy facilities. Currently, the development of solar and other renewable energy facilities is highly dependent on tax credits, the existence of renewable portfolio standards and other state incentives. Renewable portfolio standards are state-specific statutory provisions requiring that electric utilities generate a certain amount of electricity from renewable energy sources. These standards have initiated significant growth in the renewable energy industry and a potential demand for renewable energy infrastructure construction services. Since renewable energy is generally more expensive to produce, elimination of, or changes to, existing renewable portfolio standards, tax credits or similar environmental policies may negatively affect future demand for our services.

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We may lose business to competitors through the competitive bidding processes, which could have an adverse effect on our financial condition, results of operations and cash flows.

We are engaged in highly competitive businesses in which most customer contracts are awarded through bidding processes based on price and the acceptance of certain risks. We compete with other general and specialty contractors, both foreign and domestic, including large international contractors and small local contractors. The strong competition in our markets requires maintaining skilled personnel and investing in technology, and it also puts pressure on profit margins. We do not obtain contracts from all of our bids and our inability to win bids at acceptable profit margins would adversely affect our financial condition and results of operations.

We may be unsuccessful at generating internal growth, which may affect our ability to expand our operations or grow our business, which may cause an adverse effect on our financial condition, results of operations and cash flows.

Our ability to generate internal growth may be affected by, among other factors, our ability to:

- Attract new customers;
- Increase the number of projects performed for existing customers;
- Hire and retain qualified personnel;
- Successfully bid for new projects; and
- Adapt the range of services we offer to address our customers evolving construction needs.

In addition, our customers may reduce the number or size of projects available to us due to their inability to obtain capital. Our customers may also reduce projects in response to economic conditions.

Many of the factors affecting our ability to generate internal growth may be beyond our control, and we cannot be certain that our strategies will be successful or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. If we are unsuccessful, we may not be able to achieve internal growth, expand our operations or grow our business and the failure to do so could have an adverse effect on our financial condition, results of operation and cash flows.

The timing of new contracts may result in unpredictable fluctuations in our cash flow and profitability, which could adversely affect our business.

Substantial portions of our revenues are derived from project-based work that is awarded through a competitive bid process. The portion of revenue generated from the competitive bid process for 2014, 2013 and 2012 was approximately 64%, 66%, and 69%, respectively. It is generally very difficult to predict the timing and geographic distribution of the projects that we will be awarded. The selection of, timing of or failure to obtain projects, delays in award of projects, the re-bidding or termination of projects due to budget overruns, cancellations of projects or delays in completion of contracts could result in the under-utilization of our assets and reduce our cash flows. Even if we are awarded contracts, we face additional risks that could affect whether, or when, work will begin. For example, some of our contracts are subject to financing, permitting and other contingencies that may delay or result in termination of projects. We may have difficulty in matching workforce size and equipment location with contract needs. In some cases, we may be required to bear the cost of a ready workforce and equipment that is larger than necessary, resulting in unpredictability in our cash flow, expenses and profitability. If any expected contract award or the related work release is delayed or not received, we could incur substantial costs without receipt of any corresponding revenues. Moreover, construction projects for which our services are contracted may require significant expenditures by us prior to receipt of relevant payments by a customer and may expose us to potential credit risk if the customer encounters financial difficulties. Finally, the winding down or completion of work on significant projects that were active in previous periods will reduce our revenue and earning if the significant projects have not been replaced in the current period.

We derive a significant portion of our revenues from a few customers, and the loss of one or more of these customers could have significant effects on our revenues, resulting in adverse effects on our financial condition, results of operations and cash flows.

Our customer base is highly concentrated, with our top ten customers accounting for approximately 53% of our revenue in 2014, 50% of our revenue in 2013 and 56% of our revenue in 2012. However, the customers included in our top ten customer list generally varies from year to year. Our revenue is dependent both on performance of larger construction projects and relatively smaller MSA contracts. For the large construction projects, the completion of the project does not represent the loss of a customer.

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We also generate ongoing revenues from our MSA customers, generally regulated gas utilities. If we were to lose one of these customers, our revenue could significantly decline. Reduced demand for our services by larger construction customers or a loss of a significant MSA customer could have an adverse effect on our financial condition, results of operations and cash flows.

Our international operations expose us to legal, political and economic risks in different countries as well as currency exchange rate fluctuations that could harm our business and financial results. We could be adversely affected by our failure to comply with laws applicable to our foreign activities, such as the U.S. Foreign Corrupt Practices Act.

During 2014, 2013 and 2012, revenue attributable to our services outside of the United States was 1.0%, 0.8% and 0.7% of our total revenue, respectively. While much of this revenue is derived from the operations of our Canadian subsidiary, OnQuest Canada, ULC, actual construction operations have occurred in the several far eastern countries and in Australia. There are risks inherent in doing business internationally, including:

- Imposition of governmental controls and changes in laws, regulations, policies, practices, tariffs and taxes;
- Political and economic instability;
- Changes in United States and other national government trade policies affecting the market for our services;
- Potential non-compliance with a wide variety of laws and regulations, including the United States Foreign Corrupt Practices Act (FCPA) and similar non-United States laws and regulations;
- Currency exchange rate fluctuations, devaluations and other conversion restrictions;
- Restrictions on repatriating foreign profits back to the United States; and
- Difficulties in staffing and managing international operations.

The FCPA and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We pursue opportunities in certain parts of the world that experience government corruption, and in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our internal policies mandate compliance with all applicable anti-bribery laws. We require our partners, subcontractors, agents and others who work for us or on our behalf to comply with the FCPA and other anti-bribery laws. There is no assurance that our policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our agents, employees and intermediaries. If we are found to be liable for FCPA violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation, business, results of operations or cash flows. In addition, detecting, investigating and resolving actual or alleged FCPA violations is expensive and could consume significant time and attention of our senior management.

In spite of the minimal revenue amounts, any of these factors could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Backlog may not be realized or may not result in revenues or profits.

Backlog is measured and defined differently by companies within our industry. We refer to backlog as our estimated revenue on uncompleted contracts, including the amount of revenue on contracts on which work has not begun, less the revenue we have recognized under such contracts plus an estimated level of MSA revenues for the next four quarters. Backlog is not a comprehensive indicator of future revenues. Most contracts may be terminated by our customers on short notice. Reductions in backlog due to cancellation by a customer, or for other reasons, could significantly reduce the revenue and profit we actually receive from contracts in backlog. In the event of a project cancellation, we may be reimbursed for certain costs, but we typically have no contractual right to the total revenues reflected in our backlog. Projects may remain in backlog for extended periods of time. While backlog includes estimated MSA revenues, customers are not contractually obligated to purchase an amount of services under the MSA.

Given these factors, our backlog at any point in time may not accurately represent the revenue that we expect to realize during any period, and our backlog as of the end of a fiscal year may not be indicative of the revenue we expect to earn in the following fiscal year. Inability to realize revenue from our backlog could have an adverse effect on our financial condition, results of operations and cash flows.

Backlog is an indicator of future revenues; however, recognition of revenues from backlog does not necessarily insure that the projects will be profitable. Poor project or contract performance could reduce profits from contracts included in backlog.

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Our actual cost may be greater than expected in performing our fixed-price and unit-price contracts, causing us to realize significantly lower profits or losses on our projects, which would have an adverse effect on our financial condition, results of operations and cash flows.

We currently generate, and expect to continue to generate, a portion of our revenue and profits under fixed-price and unit-price contracts. The approximate portion of revenue generated from fixed-price contracts for the years 2014, 2013 and 2012 was 23%, 48% and 51%, respectively. The approximate portion of revenue generated from unit-price contracts for the years 2014, 2013 and 2012 was 32%, 39% and 30%, respectively. In general, we must estimate the costs of completing a specific project to bid these types of contracts. The actual cost of labor and materials may vary from the costs we originally estimated, and we may not be successful in recouping additional costs from our customers. These variations, may cause gross profits for a project to differ from those we originally estimated. Reduced profitability or losses on projects could occur due to changes in a variety of factors such as:

- Failure to properly estimate costs of engineering, materials, equipment or labor;
- Unanticipated technical problems with the structures, materials or services being supplied by us, which may require that we spend our own money to remedy the problem;
- Project modifications not reimbursed by the client creating unanticipated costs;
- Changes in the costs of equipment, materials, labor or subcontractors;
- Our suppliers or subcontractors failure to perform;
- Changes in local laws and regulations, and;
- Delays caused by local weather conditions.

As projects grow in size and complexity, these factors may combine, and depending on the size of the particular project, variations from the estimated contract costs could have a material adverse effect on our financial condition, results of operations and cash flows.

We require subcontractors and suppliers to assist us in providing certain services, and we may be unable to retain the necessary subcontractors or obtain supplies to complete certain projects adversely affecting our business.

We use subcontractors to perform portions of our contracts and to manage workflow, particularly for design, engineering, procurement and some foundation work. We are not dependent on any single subcontractor. However, general market conditions may limit the availability of subcontractors to perform portions of our contracts causing delays and increases in our costs, which could have an adverse effect on our financial condition, results of operations and cash flows.

We also use suppliers to provide the materials and some equipment used for projects. If a supplier fails to provide supplies and equipment at a price we estimated or fails to provide supplies and equipment that is not of acceptable quantity, we may be required to source the supplies or equipment at a higher price or may be required to delay performance of the project. The additional cost or project delays could negatively impact project profitability.

Failure of a subcontractor or supplier to comply with laws, rules or regulations could negatively affect our business.

We may enter into joint ventures which require satisfactory performance by our venture partners of their obligations. The failure of our joint venture partners to perform their joint venture obligations could impose additional financial and performance obligations on us that could result in reduced profits or losses for us with respect to the joint venture.

As is typical in our industry, we may enter into various joint ventures and teaming arrangements where control may be shared with unaffiliated third parties. At times, we also participate in joint ventures where we are not a controlling party. In such instances, we may have limited control over joint venture decisions and actions, including internal controls and financial reporting which may have an impact on our business. If our joint venture partners fail to satisfactorily perform their joint venture obligations, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments or provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profits for us with respect to the joint venture.

We may experience delays and defaults in client payments and we may pay our suppliers and subcontractors before receiving payment from our customers for the related services; we could experience an adverse effect on our financial condition, results of operations and cash flows.

We use subcontractors and material suppliers for portions of certain work, and our customers pay us for those related services. If we pay our suppliers and subcontractors for materials purchased and work performed for customers who fail to pay, or such customers delay in paying us for the related work or materials, we could experience a material adverse effect on our financial condition, results of operations and cash flows.

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Our inability to recover on claims against project owners or subcontractors for payment or performance could negatively affect our financial results and liquidity.

We occasionally present claims or change orders to our clients and subcontractors for additional costs exceeding a contract price or for costs not included in the original contract price. If we do not properly document the nature of our claims and change orders, or are otherwise not successful in negotiating a reasonable settlement, we could incur reduced profitability or a loss on a project. Claims often occur from owner-caused delays or changes in scope from the original project. Claims may be subject to lengthy and costly arbitration or litigation and may require a lengthy process. The timing of a settlement and the ability to reach an acceptable settlement may adversely impact our financial results and cash flow.

For some projects we may guarantee a timely completion or provide a performance guarantee which could result in additional costs to cover our obligations.

In many of our fixed-price contracts we provide a project completion date, and in some of our projects we commit that the project will achieve specific performance standards. If we do not complete the project as scheduled, or if the project does not meet the contracted performance standards, we may be held responsible for the impact to the client resulting from the delay or the inability to meet the standards. Generally, the impact to the client is in the form of liquidated damages in the contract. To the extent that we incur these additional costs, the project profitability and our financial performance could be adversely affected.

A significant portion of our business depends on our ability to provide surety bonds, and we may be unable to compete for or work on certain projects if we are not able to obtain the necessary surety bonds adversely affecting on financial condition, results of operations and cash flows.

Our contracts frequently require that we provide payment and performance bonds to our customers. Under standard terms in the surety market, sureties issue or continue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of additional collateral as a condition to issuing or renewing bonds.

Current or future market conditions, as well as changes in our surety providers assessments of our operating and financial risk, could cause our surety providers to decline to issue or renew, or to substantially reduce, the availability of bonds for our work and could increase our bonding costs. These actions could be taken on short notice. If our surety providers were to limit or eliminate our access to bonding, our alternatives would include seeking bonding capacity from other sureties, finding more business that does not require bonds and posting other forms of collateral for project performance, such as letters of credit or cash. We may be unable to secure these alternatives in a timely manner, on acceptable terms, or at all. Accordingly, if we were to experience an interruption or reduction in the availability of bonding capacity, we may be unable to compete for or work on certain projects and such interruption or reduction could have an adverse effect on our financial condition, results of operations and cash flows.

Our bonding requirements may limit our ability to incur indebtedness, which would limit our ability to refinance our existing credit facilities or to execute our business plan, and potentially result in an adverse effect on our business.

Our ability to obtain surety bonds depends upon various factors including our capitalization, working capital, tangible net worth and amount of our indebtedness. In order to help ensure that we can obtain required bonds, we may be limited in our ability to incur additional indebtedness that may be needed to refinance our existing credit facilities upon maturity and to execute our business plan. Our inability to incur additional indebtedness could have an adverse effect on our business, operating results and financial condition.

We may be unable to win some new contracts if we cannot provide clients with letters of credit.

For many of our clients, surety bonds provide an adequate form of security, but for some clients, additional security in the form of a letter of credit may be required. While we have capacity for letters of credit under our credit facility, the amount required by a client may be in excess of our credit limit. Any such amount would be issued at the sole discretion of our lenders. Failure to provide a letter of credit when required by a client may result in our inability to compete for or win a project.

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During the ordinary course of our business, we may become subject to lawsuits or indemnity claims, which could materially and adversely affect our business and results of operations.

We have in the past been, and may in the future be, named as a defendant in lawsuits, claims and other legal proceedings during the ordinary course of our business. These actions may seek, among other things, compensation for alleged personal injury, workers compensation, employment discrimination, breach of contract, property damage, punitive damages, and civil penalties or other losses or injunctive or declaratory relief. In addition, we generally indemnify our customers for claims related to the services we provide and actions we take under our contracts with them, and, in some instances, we may be allocated risk through our contract terms for actions by our customers or other third parties. Because our services in certain instances may be integral to the operation and performance of our customers infrastructure, we may become subject to lawsuits or claims for any failure of the systems that we work on, even if our services are not the cause of such failures, and we could be subject to civil and criminal liabilities to the extent that our services contributed to any property damage, personal injury or system failure. The outcome of any of these lawsuits, claims or legal proceedings could result in significant costs and diversion of management s attention to the business. Payments of significant amounts, even if reserved, could adversely affect our reputation, liquidity and results of operations.

We are self-insured against potential liabilities.

Although we maintain insurance policies with respect to employer s liability, general liability, auto and workers compensation claims, those policies are subject to deductibles or self-insured retention amounts of up to $250,000 per occurrence. We are primarily self-insured for all claims that do not exceed the amount of the applicable deductible/self-insured retention. In addition, for our employees not part of a collective bargaining agreement, we provide employee health care benefit plans. Our primary health insurance plan is subject to a deductible of $250,000 per individual claim per year.

Our insurance policies include various coverage requirements, including the requirement to give appropriate notice. If we fail to comply with these requirements, our coverage could be denied.

Losses under our insurance programs are accrued based upon our estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported. Insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the extent of damage, the determination of our liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes the accruals are adequate. If we were to experience insurance claims or costs significantly above our estimates, our results of operations could be adversely affected in a given period.

Our business is labor intensive. If we are unable to attract and retain qualified managers and skilled employees, our operating costs may increase which could reduce our profitability and liquidity.

Our business is labor intensive and our ability to maintain our productivity and profitability may be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We may not be able to maintain an adequately skilled labor force necessary to operate efficiently and to support our growth strategy. We have from time-to-time experienced, and may in the future experience, shortages of certain types of qualified personnel. For example, periodically there are shortages of engineers, project managers, field supervisors, and other skilled workers capable of working on and supervising the construction of underground, heavy civil and industrial facilities, as well as providing engineering services. The supply of experienced engineers, project managers, field supervisors and other skilled workers may not be sufficient to meet current or expected demand. The beginning of new, large-scale infrastructure projects or increased competition for workers currently available to us, could affect our business, even if we are not awarded such projects. Labor shortages or increased labor costs could impair our ability to maintain our business or grow our revenues. If we are unable to hire employees with the requisite skills, we may also be forced to incur significant training expenses. The occurrence of any of the foregoing could have an adverse effect on our business, operating results, financial condition and value of our common stock.

Our unionized workforce may commence work stoppages, which could adversely affect our operations.

As of December 31, 2014, approximately 34% of our hourly employees, primarily consisting of field laborers, were covered by collective bargaining agreements. Of the 82 collective bargaining agreements to which we are a party, forty five expire during 2015 and require renegotiation. Although the majority of these agreements prohibit strikes and work stoppages, we cannot be certain that strikes or work stoppages will not occur in the future. Strikes or work stoppages would adversely impact our relationships with our customers and could have an adverse effect on our financial condition, results of operations and cash flows.

Our ability to complete future acquisitions could be adversely affected because of our union status for a variety of reasons. For instance, in certain geographic areas, our union agreements may be incompatible with the union agreements of a business we want to acquire and some businesses may not want to become affiliated with a union company. In addition, if we acquire a union affiliated company, we may increase our future exposure to withdrawal liabilities for any underfunded pension plans.

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The current Federal administration has expressed strong support for legislation and regulation that would create more flexibility and opportunity for labor unions to organize non-union workers. This legislation or regulation could result in a greater percentage of our workforce being subject to collective bargaining agreements.

Withdrawal from multiemployer pension plans associated with our unionized workforce could adversely affect our financial condition and results of operations.

Our collective bargaining agreements generally require that we participate with other companies in multiemployer pension plans. To the extent those plans are underfunded, the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Multiemployer Pension Plan Amendments Act of 1980 (MEPA), may subject us to substantial liabilities under those plans if we withdraw from them or they are terminated. In addition, the Pension Protection Act of 2006 added new funding rules generally applicable to plan years beginning after 2007 for multiemployer plans that are classified as endangered, seriously endangered or critical status. For a plan in critical status, additional required contributions and benefit reductions may apply if a plan is determined to be underfunded, which could adversely affect our financial condition or results of operations. For plans in critical status, we may be required to make additional contributions, generally in the form of surcharges on contributions otherwise required. Participation in those plans with high funding levels could adversely affect our results of operations, financial condition or cash flows if we are not able to adequately mitigate these costs.

The amount of the withdrawal liability legislated by ERISA and MEPA varies for every pension plan to which we contribute. For each plan, our liability is the total unfunded vested benefits of the plan multiplied by a fraction: the numerator of the fraction is the sum of our contributions to the plan for the past ten years and the denominator is the sum of all contributions made by all employers for the past ten years. For some pension plans to which we contribute, the unfunded vested benefits are in the billions of dollars. If we cannot reduce the liability through exemptions or negotiations, the withdrawal from a plan could have a material adverse impact on our financial condition, results of operations and cash flows.

We depend on key personnel and we may not be able to operate and grow our business effectively if we lose the services of any of our key personnel or are unable to attract qualified and skilled personnel in the future. This could lead to a decrease in our overall competitiveness, resulting in an adverse effect on our business, operating results, financial condition and value of your common stock.

We are dependent upon the efforts of our key personnel, and our ability to retain them and hire other qualified employees. The loss of our executive officers or other key personnel could affect our ability to run our business effectively. Competition for senior management personnel is intense, and we may not be able to retain our personnel. The loss of any key person requires the remaining key personnel to divert immediate and substantial attention to seeking a replacement. In addition, as some of our key persons approach retirement age, we need to provide for smooth transitions. An inability to find a suitable replacement for any departing executive or senior officer on a timely basis could adversely affect our ability to operate and grow our business.

If we fail to integrate acquisitions successfully, we may experience operational challenges and risks which may have an adverse effect on our business and results of operations.

As part of our growth strategy, we intend to acquire companies that expand, complement or diversify our business. Acquisitions may expose us to operational challenges and risks, including, among others:

- The diversion of management s attention from the day-to-day operations of the combined company;
- Managing a significantly larger company than before completion of an acquisition;
- The assimilation of new employees and the integration of business cultures;
- Retaining key personnel;
- The integration of information, accounting, finance, sales, billing, payroll and regulatory compliance systems;
- Challenges in keeping existing customers and obtaining new customers;
- Challenges in combining service offerings and sales and marketing activities;
- The assumption of unknown liabilities of the acquired business for which there are inadequate reserves;
- The potential impairment of acquired goodwill and intangible assets; and
- The inability to enforce covenants not to compete.

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If we cannot effectively manage the integration process or if any significant business activities are interrupted as a result of the integration process of any acquisition, our business could suffer and our results of operations and financial condition may be negatively affected.

Our business growth could outpace the capability of our internal infrastructure and may prohibit us from expanding our operations or execute our business plan, which failures may adversely affect the value of our common stock.

Our internal infrastructure may not be adequate to support our operations as they expand. To the extent that we are unable to buy or build equipment necessary for a project, either due to a lack of available funding or equipment shortages in the marketplace, we may be forced to rent equipment on a short-term basis or to find alternative ways to perform the work without the benefit of equipment ideally suited for the job, which could increase the costs of completing the project. We often bid for work knowing that we will have to rent equipment on a short-term basis, and we include our assumptions of market equipment rental rates in our bid. If market rates for rental equipment increase between the time of bid submission and project execution, our margins for the project may be reduced. In addition, our equipment requires continuous maintenance, which we generally provide through our own repair facilities. If we are unable to continue to maintain the equipment in our fleet, we may be forced to obtain additional third-party repair services at a higher cost or be unable to bid on contracts.

Our business may be affected by difficult work sites and environments, which may adversely affect our ability to procure materials and labor, which may adversely affect our overall business.

We perform our work under a variety of conditions, including, but not limited to, difficult and hard to reach terrain, difficult site conditions and busy urban centers where delivery of materials and availability of labor may be impacted. Performing work under these conditions can slow our progress, potentially causing us to incur contractual liability to our customers. These difficult conditions may also cause us to incur additional, unanticipated costs that we might not be able to pass on to our customers.

We may incur liabilities or suffer negative financial or reputational impacts relating to health and safety matters.

Our operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace. While we have invested, and will continue to invest, substantial resources in our occupational health and safety programs, our industry involves a high degree of operational risk and there can be no assurance that we will avoid significant liability exposure. Although we have taken what we believe are appropriate precautions, we have suffered fatalities in the past and may suffer additional fatalities in the future. Serious accidents, including fatalities, may subject us to substantial penalties, civil litigation or criminal prosecution. Claims for damages to persons, including claims for bodily injury or loss of life, could result in substantial costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows. In addition, if our safety record were to substantially deteriorate over time or we were to suffer substantial penalties or criminal prosecution for violation of health and safety regulations, our customers could cancel our contracts and not award us future business.

We may incur additional healthcare costs arising from federal healthcare reform legislation.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law in the U.S. This legislation expands health care coverage to many uninsured individuals and expands coverage to those already insured. The changes required by this legislation could cause us to incur additional healthcare and other costs for which we may not be reimbursed by our customers. The employee insurance requirements are expected to impact our expenses beginning in 2015 as our insurance costs could increase by $2 million to $6 million annually. While we anticipate increases in our customer billing rates to reflect the increased expense, there can be no guarantee that we will be able to pass these costs to our customers or that our competition will increase their bids to reflect the increased healthcare costs. For our multi-year highway projects, we may not be able to anticipate further increases in healthcare costs associated with the healthcare reform legislation.

Interruptions in information technology or breaches in data security could adversely impact our operations, our ability to report financial results and our business and results of operations.

We rely on computer, information and communication technology and related systems to operate our business. As we continue to grow our business, we need to add software and hardware and effectively upgrade our systems and network infrastructure in order to improve the efficiency and protection of our systems and information. Our computer and communications systems, and consequently our operations, could be damaged or interrupted by natural disasters, loss of power, telecommunications failures, acts of war, acts of terrorism, computer viruses, physical or electronic break-ins and actions by hackers and cyber-terrorists. Any of these, or similar, events could cause system disruptions, delays and loss of critical information, delays in processing transactions and delays in the reporting of financial information. While we have implemented network security and internal control measures, there can be no assurance that a system or network failure or data security breach would not adversely affect our financial condition and results of operations.

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As a holding company, we are dependent on our subsidiaries for cash distributions to fund debt payments, dividend payments and other liabilities.

We are a holding company with no operations or significant assets other than the stock that we own of our subsidiaries.
We depend on dividends, loans and distributions from these subsidiaries to service our indebtedness, pay dividends, fund share repurchases and satisfy other financial obligations. If contractual limitations or legal regulations were to restrict the ability of our subsidiaries to make cash distributions to us, we may not have sufficient funds to cover our financial obligations.

We may need additional capital in the future for working capital, capital expenditures or acquisitions, and we may not be able to do so on favorable terms, or at all, which would impair our ability to operate our business or achieve our growth objectives.

Our ability to generate cash is essential for the funding of our operations and the servicing of our debt. If existing cash balances together with the borrowing capacity under our credit facilities are not sufficient to make future investments, make acquisitions or provide needed working capital, we may require financing from other sources. Our ability to obtain such additional financing in the future will depend on a number of factors including prevailing capital market conditions; conditions in our industry; and our operating results. These factors may affect our ability to arrange additional financing on terms that are acceptable to us. If additional funds were not available on acceptable terms, we may not be able to make future investments, take advantage of acquisitions or other opportunities or respond to competitive challenges.

Risks Related Primarily to the Financial Accounting of our Business

Our financial results are based upon estimates and assumptions that may differ from actual results and such differences between the estimates and actual results may have an adverse effect on our financial condition, results of operations and cash flows.

In preparing our consolidated annual and quarterly financial statements in conformity with generally accepted accounting principles, many estimates and assumptions are used by management in determining the reported revenues and expenses recognized during the periods presented, and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements cannot be calculated with a high degree of precision from data available, is dependent on future events, or is not capable of being readily calculated based on generally accepted methodologies. Often times, these estimates are particularly difficult to determine, and we must exercise significant judgment. Estimates may be used in our assessments of the allowance for doubtful accounts, useful lives of property and equipment, fair value assumptions in analyzing goodwill and long-lived asset impairments, self-insured claims liabilities, revenue recognition under percentage-of-completion accounting and provisions for income taxes. Actual results for estimates could differ materially from the estimates and assumptions that we use, which could have an adverse effect on our financial condition, results of operations and cash flows.

Our use of percentage-of-completion accounting could result in a reduction or elimination of previously reported profits, which may result in an adverse effect on our financial condition and results of operations.

We recognize revenue using the percentage-of-completion method of accounting, using the cost-to-cost method, where revenues are estimated based on the percentage of costs incurred to date to total estimated costs. This method is used because management considers expended costs to be the best available measure of progress on these contracts. The earnings or losses recognized on individual contracts are based on estimates of total contract revenues, total costs and profitability. Contract losses are recognized in full when determined, and contract profit estimates are adjusted based upon ongoing reviews of contract profitability.

Penalties are recorded when known or finalized, which generally is during the latter stages of the contract. In addition, we record adjustments to estimated costs of contracts when we believe the change in the estimate is probable and the amounts can be reasonably estimated. These adjustments could result in both increases and decreases in profit margins. Actual results could differ from estimated amounts and could result in a reduction or elimination of previously recognized earnings. In certain circumstances, it is possible that such adjustments could be significant and could have an adverse effect on our financial condition, results of operations and cash flows, especially when comparing the results of several periods.

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Our reported results of operations and financial condition could be adversely affected as a result of changes in accounting standards.

In May 2014, the Financial Accounting Standards Board finalized revised standards for revenue recognition which become effective for the Company beginning in 2017. The FASB has also announced they expect to finalize standards regarding the accounting for leases. These changes and other future changes could result in changes in the way we report our financial results. For example, if the lease accounting standard changes the accounting for operating leases, we may need to negotiate changes to our credit agreements to meet certain financial covenants. If we were unable to successfully negotiate these changes, we could negatively impact our ability to maintain or obtain future credit for growth opportunities.

Our reported results of operations could be adversely affected as a result of impairments of goodwill, other intangible assets or investments.

When we acquire a business, we record an asset called goodwill for the excess amount we pay for the business over the net fair value of the tangible and intangible assets of the business we acquire. At December 31, 2014, our balance sheet included a goodwill amount of $119 million and intangible assets of $40 million resulting from acquisitions made since 2008. Fair value is determined using a combination of the discounted cash flow, market multiple and market capitalization valuation approaches. Under current accounting rules, goodwill and other intangible assets that have indefinite useful lives cannot be amortized, but instead must be tested at least annually for impairment, while intangible assets that have finite useful lives are amortized over their useful lives. Any impairment of the goodwill or intangible assets recorded in connection with the various acquisitions, or for any future acquisitions, would negatively impact our results of operations.

In addition, we may enter into various types of investment arrangements, such as an equity interest we hold in a business entity. Our equity method investments are carried at original cost and are included in other assets, net in our consolidated balance sheet and are adjusted for our proportionate share of the investees income, losses and distributions. Equity investments are reviewed for impairment by assessing whether any decline in the fair value of the investment below its carrying value is other than temporary. In making this determination, factors such as the ability to recover the carrying amount of the investment and the inability of the investee to sustain future earnings capacity are evaluated in determining whether an impairment should be recognized. Any future impairments, including impairments of goodwill, intangible assets or investments, could have a material adverse effect on our results of operations.

We may not be successful in continuing to meet the internal control requirements of the Sarbanes-Oxley Act of 2002.

The Sarbanes-Oxley Act of 2002 has many requirements applicable to us regarding corporate governance and financial reporting, including the requirements for management to report on internal controls over financial reporting and for our independent registered public accounting firm to express an opinion over the operating effectiveness of our internal control over financial reporting. At December 31, 2014, our internal control over financial reporting was effective using the internal control standards issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission: Internal control Integrated Framework (1992). In 2013, an updated set of internal control standards, COSO 2013, was published. We intend to adopt the COSO 2013 framework in assessing our internal control over financial reporting in 2015; however, there can be no assurance that our internal control over financial reporting will be effective in future years. Failure to maintain effective internal controls or the identification of significant internal control deficiencies in acquisitions already made or made in the future could result in a decrease in the market value of our common stock, the reduced ability to obtain financing, the loss of customers, penalties and additional expenditures to meet the requirements in the future.

Starting in the fourth quarter of 2014 and continuing through the date of this Annual Report on Form 10-K, the Company s management, outside counsel and the Audit Committee of the Board of Directors spent considerable time and resources reviewing and analyzing various issues relating to the methods used by the Company s subsidiaries to recognize revenue and estimate contingencies for ongoing projects. The internal review is not yet completed and we cannot estimate when such review will be completed. However, as outlined in Item 9A of this Annual Report on Form 10-K, our CEO and CFO concluded that our internal control over financial reporting is effective as of December 31, 2014. During the fourth quarter of 2014, we made process and procedural changes that we believe enhance our controls over revenue recognition, and these enhanced controls were in place at December 31, 2014. We anticipate continuing enhancement of our controls, especially as we begin to integrate our financial and operations information systems onto a common platform.

As our internal review is ongoing, we cannot predict the final outcome of the review. Until our review efforts are completed, the Company s management, outside counsel and the Audit Committee of the Board of Directors will continue to devote considerable time and resources. A government entity or other third party could bring an action and seek interest, injunctions, fines, civil and criminal penalties, or other remedies, or assert other claims or litigation against the Company with respect to any issues that might arise in connection with the review. We also may not be able to effectively improve and expand our financial infrastructure, and internal operating and administrative systems and controls, or do so on a timely basis. Findings from the our review could result in a loss of investor confidence and decrease in the market value of our common stock, the reduced ability to obtain financing and the loss of customers.

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Risks Related to our Common Stock

Our common stock is subject to potential dilution to our stockholders.

As part of our acquisition strategy, we have issued shares of common stock and used shares of common stock as a part of contingent earn-out consideration, which have resulted in dilution to our stockholders. Our Articles of Incorporation permit us to issue up to 90 million shares of common stock of which 51.56 million were outstanding at December 31, 2014. While NASDAQ rules require that we obtain stockholder approval to issue more than 20% additional shares, stockholder approval is not required below that level. In addition, we can issue shares of preferred stock which could cause further dilution to the stockholder, resulting in reduced net income and cash flow available to common stockholders.

In 2013, our stockholders adopted our 2013 Equity Incentive Plan (Equity Plan   ). The Equity Plan replaced a previous plan. The Equity Plan authorized the Board of Directors to issue equity awards totaling 2,526,275 shares of our common stock. Our current director compensation plan, our management long-term incentive plan and any additional equity awards made will have the effect of diluting our earnings per share and stockholders   percentage of ownership.

Our Chairman, Chief Executive Officer and President is a significant stockholder, which may make it possible for him to have significant influence over the outcome of matters submitted to our stockholders for approval and his interests may differ from the interests of other stockholders.

As of December 31, 2014 our Chairman, Chief Executive Officer and President beneficially owned approximately 23% of the outstanding shares of our common stock. He may have significant influence over the outcome of all matters submitted to our stockholders for approval, including the election of our directors and other corporate actions. Such influence could have the effect of discouraging others from attempting to purchase us or take us over and could reduce the market price offered for our common stock.

Delaware law and our charter documents may impede or discourage a takeover or change in control.

As a Delaware corporation, anti-takeover provisions may impose an impediment to the ability of others to acquire control of us, even if a change of control would be of benefit to our stockholders. In addition, certain provisions of our Articles of Incorporation and Bylaws also may impose an impediment or discourage others from a takeover. These provisions include:

- Our Board of Directors is classified;
- Stockholders may not act by written consent;
- There are restrictions on the ability of a stockholder to call a special meeting or nominate a director for election; and

- Our Board of Directors can authorize the issuance of preferred shares.

These types of provisions may limit the ability of stockholders to obtain a premium for their shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Facilities

Our executive offices are located at 2100 McKinney Avenue, Suite 1500, Dallas, Texas 75201. The telephone number of our executive office is (214) 740-5600. The East and Energy segments of our business have regional offices located in Baton Rouge, Louisiana, in Houston, Conroe, Fort Worth and Pasadena, Texas, Suwanee, Georgia and in Sarasota and Fort Lauderdale, Florida. The Energy segment also has business offices located in San Dimas, California and in Calgary, Canada. The West segment has regional offices located in Lake Forest, Pittsburg, San Francisco, Bakersfield and San Diego, California and offices located in Hillsboro, Oregon, Toledo, Washington, Montrose, Pennsylvania and Little Canada, Minnesota.

We lease most of the facilities used in our operations. The leases are generally for 10 to 12-year terms, expiring through 2023. The aggregate lease payments made for our facilities in 2014 were approximately $6.0 million. We believe that our facilities are adequate to meet our current and foreseeable requirements for the next several years.

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We lease some of our facilities, employees and certain construction and transportation equipment from Stockdale Investment Group, Inc. (SIGI). We believe that these leases were entered into on similar terms as negotiated with an independent third party. Brian Pratt, our largest stockholder and our Chief Executive Officer, President and Chairman of the Board of Directors, holds a majority interest in SIGI and is the chairman and chief executive officer and a director of SIGI. John M. Perisich, our Executive Vice President and General Counsel, is secretary of SIGI.

Property, Plant and Equipment

We own and maintain both construction and transportation equipment. In 2014, 2013 and 2012, we spent approximately $88.0 million, $85.8 million and $40.3 million, respectively, in cash for property and equipment. Additionally, we acquired property and equipment through the use of capital leases of approximately $0.0 million in 2014, $2.6 million in 2013 and $2.9 million in 2012. We estimate that our capital equipment includes the following:

- Heavy construction and specialized equipment 1,415 units; and
- Transportation equipment 2,870 units.

We believe the ownership of equipment is generally preferable to leasing to ensure the equipment is available as needed. In addition, ownership has historically resulted in lower overall equipment costs. We attempt to obtain projects that will keep our equipment fully utilized in order to increase profit. All equipment is subject to scheduled maintenance to insure reliability. Maintenance facilities exist at most of our regional offices as well as on-site on major jobs to properly service and repair equipment. Major equipment not currently utilized is rented to third parties whenever possible to supplement equipment income.

The following summarizes total property, plant and equipment, net of accumulated depreciation, as of December 31, 2014 and 2013:

		2014 (In Thousands)		**2013 (In Thousands)**	**Useful Life**
Land and buildings	$	40,604	$	36,883	30 years
Leasehold improvements		11,267		7,958	Lease life
Office equipment		3,651		3,171	3 - 5 years
Construction equipment		308,915		247,997	3 - 7 years
Transportation equipment		83,845		67,550	3 - 18 years
		448,282		363,559	
Less: accumulated depreciation and amortization		(176,851)		(137,047)	
Net property, plant and equipment	$	271,431	$	226,512	

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings

On February 7, 2012, the Company was sued in an action entitled North Texas Tollway Authority, Plaintiff v. James Construction Group, LLC, and KBR, Inc., Defendants, v. Reinforced Earth Company, Third-Party Defendant (the Lawsuit). In the Lawsuit, the North Texas Tollway Authority (NTTA) alleged damages to a road and retaining wall that were constructed in 1999 on the George Bush Turnpike near Dallas, Texas, due to negligent construction by JCG. The Lawsuit claimed that the cost to repair the retaining wall was approximately $5,400. The NTTA also alleged that six other walls constructed on the project by JCG had the same potential exposure to failure. For the past 18 months, the Company participated in Court-ordered mediation, and on February 25, 2015 the Lawsuit was settled for an expected cost to the Company of $9 million. During the years ended December 31, 2014, 2013, and 2012, the Company recorded liability amounts of $3,000, $4,500 and $1,500, respectively. The amounts recorded were the approximate amounts that the Company allocated for negotiation purposes in the mediation process.

At December 31, 2014, the Company is engaged in dispute resolution to enforce collection for two construction projects completed by the Company in 2014. For one project, a cost reimbursable contract, the Company has recorded a receivable of $33.8 million, and for the other project, the Company has recorded a receivable of $29.3 million. At December 31, 2014, the Company has not recorded revenues in excess of cost for these two projects. At this time, the Company cannot predict the amount that it will collect nor the timing of any collection.

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The Company is subject to other claims and legal proceedings arising out of its business. The Company provides for costs related to contingencies when a loss from such claims is probable and the amount is reasonably determinable. In determining whether it is possible to provide an estimate of loss, or range of possible loss, the Company reviews and evaluates its litigation and regulatory matters on a quarterly basis in light of potentially relevant factual and legal developments. If we determine an unfavorable outcome is not probable or reasonably estimable, we do not accrue for a potential litigation loss. Management is unable to ascertain the ultimate outcome of other claims and legal proceedings; however, after review and consultation with counsel and taking into consideration relevant insurance coverage and related deductibles/self-insurance retention, management believes that it has meritorious defense to the claims and believes that the reasonably possible outcome of such claims will not, individually or in the aggregate, have a materially adverse effect on the consolidated results of operations, financial condition or cash flows of the Company.

Government Regulations

Our operations are subject to compliance with regulatory requirements of federal, state, and municipal agencies and authorities, including regulations concerning labor relations, affirmative action and the protection of the environment. While compliance with applicable regulatory requirements has not adversely affected operations in the past, there can be no assurance that these requirements will not change and that compliance with such requirements will not adversely affect operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

On July 31, 2008, our common stock began trading on the NASDAQ Global Market under the symbol PRIM . Previously, our common stock traded on the OTC Bulletin Board under the ticker symbol RPSD . Prior to their expiration on October 2, 2010, the Company had certain warrants and unit purchase options outstanding that were traded under the NASDAQ Global Market under the symbols PRIMW and PRIMU , respectively.

We had outstanding 51,561,396 shares of common stock and 364 stockholders of record as of December 31, 2014. These holders of record include depositories that hold shares of stock for brokerage firms, which in turn, hold shares of stock for numerous beneficial owners.

The following table shows the range of market prices of our common stock during 2014 and 2013.

	Market price per Share			
	High		Low	
Year ended December 31, 2014				
First quarter	$	33.35	$	29.26
Second quarter	$	30.88	$	26.39
Third quarter	$	29.80	$	23.88
Fourth quarter	$	28.72	$	19.99
Year ended December 31, 2013				
First quarter	$	22.25	$	15.64
Second quarter	$	23.12	$	19.12
Third quarter	$	25.71	$	19.79
Fourth quarter	$	31.13	$	23.50

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Dividends

The following table shows cash dividends to our common stockholders declared by the Company during the three years ended December 31, 2014:

Declaration Date	Payable Date	Record Date		Type
February 24, 2012	April 16, 2012	March 30, 2012	$	0.030 per share
May 4, 2012	July 16, 2012	June 29, 2012	$	0.030 per share
August 3, 2012	October 15, 2012	October 1, 2012	$	0.030 per share
November 1, 2012	December 26, 2012	December 18, 2012	$	0.030 per share
March 5, 2013	April 15, 2013	March 29, 2013	$	0.030 per share
May 3, 2013	July 15, 2013	June 28, 2013	$	0.035 per share
August 2, 2013	October 15, 2013	September 30, 2013	$	0.035 per share
October 30, 2013	January 15, 2014	December 31, 2013	$	0.035 per share
February 26, 2014	April 15, 2014	March 31, 2014	$	0.035 per share
May 2, 2014	July 15, 2014	June 30, 2014	$	0.035 per share
August 5, 2014	October 15, 2014	September 30, 2014	$	0.040 per share
November 4, 2014	January 15, 2015	December 31, 2014	$	0.040 per share

In addition, on February 24, 2015, the Board of Directors declared a $0.04 per common share dividend with a payable date of April 15, 2015 and a record date of March 31, 2015. The payment of future dividends is contingent upon our revenues and earnings, capital requirements and general financial condition of the Company, as well as contractual restrictions and other considerations deemed relevant by the Board of Directors.

Equity Compensation Plan Information

In July 2008, the shareholders approved and the Company adopted the Primoris Services Corporation 2008 Long-term Incentive Equity Plan, which was replaced by the Primoris Services Corporation 2013 Long-term Incentive Equity Plan (2013 Equity Plan), as approved by the shareholders and adopted by the Company on May 3, 2013.

In March 2014, our employees purchased 77,455 shares of stock as part of a management incentive compensation program. As part of the quarterly compensation of the non-employee members of the Board of Directors, the Company issued 6,375 shares of common stock in March 2014 and 6,172 shares in August 2014. The issuance of the employee shares and the director shares were under the terms of the 2013 Equity Plan.

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2014.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	148,512	0	2,278,651
Equity compensation plans not approved by security holders	0	0	0
Total	148,512	0	2,278,651

These securities represent shares of common stock available for issuance under our 2013 Equity Plan. The 2013 Equity Plan is discussed in Note 2 to our consolidated financial statements for the year ended December 31, 2014 included in Part II, Item 8 *Financial Statements and Supplementary Data* .

Repurchases of Securities

In February 2014, the Company s Board of Directors authorized a share repurchase program under which the Company, from time to time and depending on market conditions, share price and other factors, may acquire shares of its common stock on the open market or in privately negotiated transactions up to an aggregate purchase price of $23 million. During the period from February 2014 through September 2014, the Company purchased and cancelled 100,000 shares of stock for $2.8 million at an average cost of $28.44 per share. This share repurchase program expired on December 31, 2014.

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In May 2012, the Company s Board of Directors authorized a share repurchase program under which the Company could, from time to time and depending on market conditions, share price and other factors, acquire shares of its common stock on the open market or in privately negotiated transactions up to an aggregate purchase price of $20 million. During the period from May 2012 through June 2012, the Company purchased and cancelled 89,600 shares of stock for $1.0 million at an average cost of $11.17 per share. This share repurchase program expired on December 31, 2012.

Sales of Unregistered Securities during 2012 through 2013

The Company issued 62,052 unregistered shares of our common stock as part of the consideration for the March 2012 acquisition of Sprint and 29,273 unregistered shares were issued in February 2013 as part of the consideration for the acquisition of Q3C.

As part of the attainment of contingent consideration targets for the November 2010 acquisition of Rockford, the Company issued 494,095 shares of unregistered common stock to the sellers in the first quarter 2011 and 232,637 unregistered shares in April 2012.

All securities listed on the following table are issued unregistered shares of our common stock. At December 31, 2014, there was no remaining obligation to issue shares of common stock under contingent consideration arrangements. We relied on Section 4(a)(2) of the Securities Act, as the basis for exemption from registration. For all issuances, we believe the shares were issued to accredited investors as defined in Rule 501 of the Securities Act. All issuances were as a result of privately negotiated transactions, and not pursuant to public solicitations.

Period	Number of Shares	Purchaser	Consideration
January 1, 2012 through December 31, 2012	232,637 common shares	Stockholders of acquired companies	Achievement of financial target as contingent consideration in sale of acquired company
January 1, 2012 through December 31, 2012	62,052 common shares	Stockholders of acquired companies	Part of consideration in sale of acquired company
January 1, 2013 through February 28, 2013	29,273 common shares	Employees and Stockholders of acquired companies	Part of consideration in sale of acquired company

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Performance Graph

The following Performance Graph and related information shall not be deemed to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares the cumulative total return to holders of the Company s common stock during the five-year period from December 31, 2009, and in each quarter up to December 31, 2014. The return is compared to the cumulative total return during the same period achieved on the Standard & Poor s 500 Stock Index (the S&P 500) and a peer group index selected by our management that includes five public companies within our industry (the Peer Group). The Peer Group is composed of MasTec, Inc., Matrix Service Company, Quanta Services, Inc., Sterling Construction Company, Inc. and Willbros Group, Inc. The companies in the Peer Group were selected because they comprise a broad group of publicly held corporations, each of which has some operations similar to ours. When taken as a whole, management believes the Peer Group more closely resembles our total business than any individual company in the group.

The returns are calculated assuming that an investment with a value of $100 was made in the Company s common stock and in each stock as of December 31, 2009. All dividends were reinvested in additional shares of common stock, although the comparable companies did not pay dividends during the periods shown. The Peer Group investment is calculated based on a weighted average of the five company share prices. The graph lines merely connect the measuring dates and do not reflect fluctuations between those dates. The stock performance shown on the graph is not intended to be indicative of future stock performance.

COMPARISON OF DECEMBER 31, 2009 THROUGH DECEMBER 31, 2014

CUMULATIVE TOTAL RETURN

Among Primoris Services Corporation (PRIM), the S&P 500 and the Peer Group

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations* and our audited financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
	(In millions except share and per share data)				
Statement of Operations Data:					
Revenues	$ 2,086	$ 1,944	$ 1,542	$ 1,460	$ 942
Cost of revenues	1,850	1,688	1,349	1,275	819
Gross profit	236	256	193	185	123
Selling, general and administrative expense	132	131	96	86	65
Operating income	104	125	97	99	58
Other income (expense)	(2)	(5)	(4)	(2)	(2)
Income before provision for income taxes	102	120	93	97	56
Income tax provision	(38)	(45)	(34)	(38)	(22)
Net Income	$ 64	$ 75	$ 59	$ 59	$ 34
Less net income attributable to noncontrolling interests	(1)	(5)	(2)		
Net income attributable to Primoris	$ 63	$ 70	$ 57	$ 59	$ 34
Dividends per common share	$ 0.15	$ 0.135	$ 0.12	$ 0.11	$ 0.10
Earnings per share attributable to Primoris:					
Basic	$ 1.22	$ 1.35	$ 1.10	$ 1.15	$ 0.79
Diluted	$ 1.22	$ 1.35	$ 1.10	$ 1.14	$ 0.72
Weighted average common shares outstanding (in thousands):					
Basic	51,607	51,540	51,391	50,707	