Willbros Group, Inc.\NEW\
Form 10-Q
December 15, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

¨ 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 1-34259

Willbros Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware (Jurisdiction of incorporation)	30-0513080 (I.R.S. Employer Identification Number)

4400 Post Oak Parkway
Suite 1000
Houston, TX 77027
Telephone No.: 713-403-8000
(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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 ý No ¨

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ¨	Accelerated Filer ý
Non-Accelerated Filer ¨	Smaller reporting company ¨

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

The number of shares of the registrant's Common Stock, $.05 par value, outstanding as of December 8, 2014 was 50,683,732.

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WILLBROS GROUP, INC.
FORM 10-Q
FOR QUARTER ENDED SEPTEMBER 30, 2014

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PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$48,935	$42,569
Accounts receivable, net	388,359	365,854
Contract cost and recognized income not yet billed	52,029	55,384
Prepaid expenses and other assets	34,983	25,008
Parts and supplies inventories	3,728	4,151
Deferred income taxes	5,571	10,323
Assets associated with discontinued operations	9,165	99,683
Total current assets	542,770	602,972
Property, plant and equipment, net	97,840	106,133
Intangible assets, net	118,318	127,485
Other assets	26,019	34,078
Total assets	$784,947	$870,668
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$268,719	$251,202
Contract billings in excess of cost and recognized income	22,817	25,586
Current portion of capital lease obligations	880	890
Notes payable and current portion of long-term debt	6,018	6,505
Current portion of settlement obligation of discontinued operations	32,750	36,500
Accrued income taxes	3,638	10,022
Liabilities associated with discontinued operations	5,466	18,365
Other current liabilities	6,924	5,816
Total current liabilities	347,212	354,886
Long-term debt	233,604	268,425
Capital lease obligations	705	1,388
Long-term liabilities for unrecognized tax benefits	1,468	4,544
Deferred income taxes	7,753	9,066
Other long-term liabilities	47,101	43,585
Total liabilities	637,843	681,894
Contingencies and commitments (Note 11)		
Stockholders' equity:		
Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued	—	—
Common stock, par value $.05 per share, 70,000,000 shares authorized and 51,907,073 shares issued at September 30, 2014 (50,930,303 at December 31, 2013)	2,588	2,543
Capital in excess of par value	698,253	691,123
Accumulated deficit	(545,778)	(501,918)
	(13,371)	(12,070)

Treasury stock at cost, 1,333,252 shares at September 30, 2014 (1,147,974 at December 31, 2013)		
Accumulated other comprehensive income	5,123	8,807
Total Willbros Group, Inc. stockholders' equity	146,815	188,485
Noncontrolling interest	289	289
Total stockholders' equity	147,104	188,774
Total liabilities and stockholders' equity	$784,947	$870,668

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Contract revenue	$559,693	$479,104	$1,576,021	$1,385,860
Operating expenses:				
Contract	499,690	422,886	1,435,106	1,241,104
Amortization of intangibles	3,068	3,118	9,306	9,355
General and administrative	45,517	41,748	119,280	119,220
	548,275	467,752	1,563,692	1,369,679
Operating income	11,418	11,352	12,329	16,181
Other expense:				
Interest expense, net	(7,467)	(8,220)	(22,662)	(23,329)
Loss on early extinguishment of debt	—	(11,573)	(948)	(11,573)
Other, net	(342)	(336)	(453)	(413)
	(7,809)	(20,129)	(24,063)	(35,315)
Income (loss) from continuing operations before income taxes	3,609	(8,777)	(11,734)	(19,134)
Provision for income taxes	2,739	3,205	9,283	6,943
Income (loss) from continuing operations	870	(11,982)	(21,017)	(26,077)
Loss from discontinued operations net of provision for income taxes	(4,229)	(13,951)	(22,843)	(2,565)
Net loss	$(3,359)	$(25,933)	$(43,860)	$(28,642)
Basic income (loss) per share attributable to Company shareholders:				
Income (loss) from continuing operations	$0.02	$(0.25)	$(0.43)	$(0.54)
Loss from discontinued operations	(0.09)	(0.29)	(0.46)	(0.05)
Net loss	$(0.07)	$(0.54)	$(0.89)	$(0.59)
Diluted income (loss) per share attributable to Company shareholders:				
Income (loss) from continuing operations	$0.02	$(0.25)	$(0.43)	$(0.54)
Loss from discontinued operations	(0.08)	(0.29)	(0.46)	(0.05)
Net loss	$(0.06)	$(0.54)	$(0.89)	$(0.59)
Weighted average number of common shares outstanding:				
Basic	49,414,847	48,642,180	49,201,697	48,512,089
Diluted	50,226,661	48,642,180	49,201,697	48,512,089

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss	$(3,359)	$(25,933)	$(43,860)	$(28,642)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(2,529)	1,093	(2,516)	(1,498)
Changes in derivative financial instruments	462	(2,335)	(1,168)	(1,875)
Total other comprehensive loss, net of tax	(2,067)	(1,242)	(3,684)	(3,373)
Total comprehensive loss	$(5,426)	$(27,175)	$(47,544)	$(32,015)

See accompanying notes to condensed consolidated financial statements.

WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	$(43,860)	$(28,642)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations	22,843	2,565
Depreciation and amortization	27,410	29,875
Loss on early extinguishment of debt	948	11,573
Stock-based compensation	9,371	4,727
Amortization of debt issuance costs	672	4,012
Non-cash interest expense	981	2,043
Deferred income tax expense (benefit)	3,418	(6)
Gain on disposal of property and equipment	(3,260)	(1,667)
Provision for bad debts	2,342	1,284
Other non-cash	—	(111)
Changes in operating assets and liabilities:		
Accounts receivable, net	(28,789)	(4,706)
Contract cost and recognized income not yet billed	2,867	580
Prepaid expenses and other assets	(10,032)	3,742
Accounts payable and accrued liabilities	17,742	(53,253)
Accrued income taxes	(6,202)	(4,755)
Contract billings in excess of cost and recognized income	(2,749)	(17,038)
Other assets and liabilities, net	5,030	(7,328)
Cash used in operating activities of continuing operations	(1,268)	(57,105)
Cash provided by (used in) operating activities of discontinued operations	3,461	(954)
Cash provided by (used in) operating activities	2,193	(58,059)
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	4,629	807
Proceeds from sale of subsidiaries	46,152	38,900
Purchases of property, plant and equipment	(11,691)	(9,420)
Cash provided by investing activities of continuing operations	39,090	30,287
Cash provided by (used in) investing activities of discontinued operations	472	(465)
Cash provided by investing activities	39,562	29,822
Cash flows from financing activities:		
Proceeds from revolver and notes payable	45,000	323,379
Payments on capital leases	(693)	(1,131)
Payments of revolver and notes payable	(49,501)	(129,820)
Payments on term loan facility	(29,152)	(189,171)
Payments to reacquire common stock	(1,301)	(555)
Payments to noncontrolling interest owners	—	(3,100)
Costs of debt issuance	—	(5,194)
Cash used in financing activities of continuing operations	(35,647)	(5,592)
Cash used in financing activities of discontinued operations	(100)	(166)

Cash used in financing activities	(35,747)	(5,758)
Effect of exchange rate changes on cash and cash equivalents	(683)	(310)
Net increase (decrease) in cash and cash equivalents	5,325	(34,305)
Cash and cash equivalents of continuing operations at beginning of period	42,569	48,778
Cash and cash equivalents of discontinued operations at beginning of period	1,041	5,602
Cash and cash equivalents at beginning of period	43,610	54,380
Cash and cash equivalents at end of period	48,935	20,075
Less: cash and cash equivalents of discontinued operations at end of period	—	—
Cash and cash equivalents of continuing operations at end of period	$48,935	$20,075
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	$20,873	$19,148
Cash paid for income taxes (including discontinued operations)	$16,176	$12,080

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The Company and Basis of Presentation

Willbros Group, Inc., a Delaware corporation, and its subsidiaries (the “Company,” “Willbros” or “WGI”), is a specialty energy infrastructure contractor serving the oil, gas, refinery, petrochemical and power industries. The Company’s offerings include engineering, procurement and construction (either individually or as an integrated “EPC” service offering), turnarounds, maintenance, facilities development and operations services. The Company’s principal markets for continuing operations are the United States and Canada. The Company obtains its work through competitive bidding and through negotiations with prospective clients. Contract values range from several thousand dollars to several hundred million dollars and contract durations range from a few weeks to more than two years.

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2013, which has been derived from audited consolidated financial statements, and the unaudited Condensed Consolidated Financial Statements as of September 30, 2014 and 2013, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company’s December 31, 2013 audited Consolidated Financial Statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of September 30, 2014, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the nine months ended September 30, 2014 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

The Condensed Consolidated Financial Statements include certain estimates and assumptions made by management. These estimates and assumptions relate to the reported amounts of assets and liabilities at the dates of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expense during those periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, and parts and supplies inventories; quantification of amounts recorded for contingencies, tax accruals and certain other accrued liabilities; valuation allowances for accounts receivable and deferred income tax assets; and revenue recognition under the percentage-of-completion method of accounting, including estimates of progress toward completion and estimates of gross profit or loss accrual on contracts in progress. The Company bases its estimates on historical experience and other assumptions that it believes to be relevant under the circumstances. Actual results could differ from those estimates.

Out-of-Period Adjustments – The Company recorded out-of-period adjustments during the nine months ended September 30, 2014 related to the calculation of its state tax provision and the overstatement of rent expense. The net impact of these adjustments was an increase to pre-tax loss of $0.2 million and a decrease to net loss from continuing operations and net loss of $0.3 million for the nine months ended September 30, 2014. The Company does not believe these adjustments are material, individually or in the aggregate, to its Condensed Consolidated Financial Statements for the nine months ended September 30, 2014, nor does it believe such items are material to any of its previously issued annual or quarterly financial statements, or its expected 2014 annual financial statements.

Reclassifications – Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications relate to the sale of the union refinery maintenance turnaround business unit, a related fabrication facility and associated tools and equipment (“CTS”) during the second quarter of 2014. See Note 13 – Discontinued Operations for additional discussion associated with these reclassifications.

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WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

2. New Accounting Pronouncements

In April 2014, the FASB issued authoritative guidance to change the criteria for reporting discontinued operations. Under the new guidance, only disposals representing a strategic shift in a company's operations and financial results should be reported as discontinued operations, with expanded disclosures. In addition, disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify as a discontinued operation is required. This standard is effective, on a prospective basis, for interim and annual periods beginning on or after December 15, 2014 and would affect the classification of the Company's future business disposals in discontinued operations in its condensed consolidated financial statements.

In May 2014, the FASB and the IASB issued common guidance surrounding the recognition of revenue from contracts with customers. Under the new guidance, a company will recognize revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. Revenue will be recognized at an amount that reflects the consideration it expects to receive in exchange for those goods and services. This guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This standard is effective, on either a full retrospective or a modified retrospective basis, for interim and annual periods beginning on or after December 15, 2016 and will affect the treatment and disclosure of revenue in the Company's condensed consolidated financial statements.

In August 2014, the FASB issued guidance that explicitly requires management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. This standard is effective for annual periods beginning on or after December 15, 2016. The Company is currently assessing the impact, if any, the guidance will have on its condensed consolidated financial statements.

3. Contracts in Progress

Contract cost and recognized income not yet billed on uncompleted contracts arise when recorded revenues for a contract exceed the amounts billed under the terms of the contracts. Contract billings in excess of cost and recognized income arise when billed amounts exceed revenues recorded. Amounts are billable to customers upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of the contract. Also included in contract cost and recognized income not yet billed on uncompleted contracts are amounts the Company seeks to collect from customers for change orders approved in scope but not for price associated with that scope change (unapproved change orders). Revenue for these amounts is recorded equal to the lesser of the expected revenue or cost incurred when realization of price approval is probable. Estimating revenues from unapproved change orders involves the use of estimates, and it is reasonably possible that revisions to the estimated recoverable amounts of recorded unapproved change orders may be made in the near-term. If the Company does not successfully resolve these matters, a reduction in revenues may be required to amounts that have been previously recorded.

Contract cost and recognized income not yet billed and related amounts billed as of September 30, 2014 and December 31, 2013 was as follows (in thousands):

	September 30, 2014	December 31, 2013
Cost incurred on contracts in progress	$1,145,377	$705,601
Recognized income	165,985	162,604
	1,311,362	868,205
Progress billings and advance payments	(1,282,150)	(838,407)
	$29,212	$29,798

Contract cost and recognized income not yet billed	$52,029	$55,384
Contract billings in excess of cost and recognized income	(22,817)	(25,586)
	$29,212	$29,798

Contract cost and recognized income not yet billed includes $16.3 million and $5.0 million at September 30, 2014 and December 31, 2013, respectively, on completed contracts.

3. Contracts in Progress (continued)

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the majority of the retainage balances at each balance sheet date are expected to be collected within the next 12 months. Current retainage balances at September 30, 2014 and December 31, 2013, were approximately $56.2 million and $39.1 million, respectively, and are included in "Accounts receivable" in the Condensed Consolidated Balance Sheets. There were no retainage balances with settlement dates beyond the next 12 months at September 30, 2014 and December 31, 2013.

4. Intangible Assets

The changes in the carrying amounts of intangible assets for the nine months ended September 30, 2014 are detailed below (in thousands):

	Customer Relationships	Trademark / Tradename	Non-compete Agreements	Technology	Total
Balance as of December 31, 2013	$115,218	$8,586	$108	$3,573	$127,485
Amortization	(7,823)	(961)	(108)	(414)	(9,306)
Other	—	139	—	—	139
Balance as of September 30, 2014	$107,395	$7,764	$—	$3,159	$118,318
Weighted Average Remaining Amortization Period	10.5 years	5.5 years	0.0 years	5.8 years	

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 5 to 15 years.

Estimated amortization expense for the remainder of 2014 and each of the subsequent five years and thereafter is as follows (in thousands):

Fiscal year:	
Remainder of 2014	$3,064
2015	12,256
2016	12,256
2017	12,256
2018	12,256
2019	12,138
Thereafter	54,092
Total amortization	$118,318

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2014 and December 31, 2013 were as follows (in thousands):

	September 30, 2014	December 31, 2013
Trade accounts payable	$128,566	$107,227
Payroll and payroll liabilities	55,820	55,153
Accrued contract costs	37,664	40,376
Self-insurance accrual	16,110	14,785

Other accrued liabilities	30,559	33,661
Total accounts payable and accrued liabilities	$268,719	$251,202

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

6. Long-term Debt

Long-term debt as of September 30, 2014 and December 31, 2013 was as follows (in thousands):

	September 30, 2014	December 31, 2013
2013 Term Loan Facility, net of unamortized discount of $6,513 and $8,306	$213,710	$241,069
Revolver borrowings under the 2013 ABL Credit Facility	15,000	18,953
Capital lease obligations	1,585	2,278
Other obligations	10,912	14,908
Total debt	241,207	277,208
Less: current portion	(6,898)	(7,395)
Long-term debt, net	$234,309	$269,813

2013 Credit Facilities

On August 7, 2013, the Company entered into a five-year $150.0 million asset based senior revolving credit facility maturing on August 7, 2018 with Bank of America, N.A. serving as sole administrative agent for the lenders thereunder, collateral agent, issuing bank and swingline lender (the “ABL Credit Facility”), and a six-year $250.0 million term loan facility maturing on August 7, 2019 with JP Morgan Chase Bank, N.A. serving as a sole administrative agent for the lenders thereunder (the “2013 Term Loan Facility” and, together with the ABL Credit Facility, the “2013 Credit Facilities”).

ABL Credit Facility

The initial aggregate amount of commitments for the ABL Credit Facility is comprised of $125.0 million for the U.S. facility (the “U.S. Facility”) and $25.0 million for the Canadian facility (the “Canadian Facility”). The ABL Credit Facility includes a sublimit of $100.0 million for letters of credit and an accordion feature permitting the borrowers, under certain conditions, to increase the aggregate amount by an incremental $75.0 million, with additional commitments from existing lenders or new commitments from lenders reasonably acceptable to the administrative agent. The borrowers under the U.S. Facility consist of all of the Company’s U.S. operating subsidiaries with assets included in the borrowing base and the U.S. Facility is guaranteed by Willbros Group, Inc. and its material U.S. subsidiaries, other than excluded subsidiaries. The borrower under the Canadian Facility is Willbros Construction Services (Canada) LP and the Canadian Facility is guaranteed by Willbros Group, Inc. and all of its material U.S. and Canadian subsidiaries, other than excluded subsidiaries.

Advances under the U.S. and Canadian Facility are limited to a borrowing base consisting of the sum of 85 percent of the value of “eligible accounts” and 60 percent of the value of “eligible unbilled accounts” less applicable reserves, which the administrative agent may establish from time to time in its permitted discretion. Eligible unbilled accounts may not exceed $50.0 million in the aggregate. Advances in U.S. dollars bear interest at a rate equal to LIBOR or the U.S. or Canadian base rate plus an additional margin. Advances in Canadian dollars bear interest at the Bankers Acceptance (“BA”) Equivalent Rate or the Canadian prime rate plus an additional margin.

The interest rate margins are adjusted each quarter based on the Company’s fixed charge coverage ratio as of the end of the previous quarter as follows:

Fixed Charge Coverage Ratio	U.S. Base Rate, Canadian Base Rate and Canadian Prime Rate Loans	LIBOR Loans, BA Rate Loans and Letter of Credit Fees
>1.25 to 1	1.25%	2.25%

<1.25 to 1 and 1.15 to 1	1.50%	2.50%
<1.15 to 1	1.75%	2.75%

The borrowers will also pay an unused line fee on each of the U.S. and Canadian Facilities equal to 50 basis points when usage under the applicable facility during the preceding calendar month is less than 50 percent of the commitments or 37.5 basis points when usage under the applicable facility equals or exceeds 50 percent of the commitments for such period. With respect to the letters of credit, the borrowers will pay a letter of credit fee equal to the applicable LIBOR margin, shown in the table above, on all letters of credit and a 0.125 percent fronting fee to the issuing bank, in each case, payable monthly in arrears.

6. Long-term Debt (continued)

Obligations under the ABL Credit Facility are secured by a first priority security interest in the borrowers' and guarantors' accounts receivable, deposit accounts and similar assets (the "ABL Priority Collateral") and a second priority security interest in the borrowers' and guarantors' equipment, inventory, subsidiary capital stock and intellectual property, which is subject to the first priority security interest of the collateral agent for the 2013 Term Loan Facility (the "Term Loan Priority Collateral").

2013 Term Loan Facility

The 2013 Term Loan Facility provides for a $250.0 million term loan, which the Company drew in full on the effective date of the credit agreement for the 2013 Term Loan Facility. Term loans were issued at a discount such that the funded portion was equal to 96.5 percent of the principal amount of the term loans. The borrower under the Term Loan Facility is Willbros Group, Inc. with all of its obligations guaranteed by its material U.S. subsidiaries, other than excluded subsidiaries. The 2013 Credit Facilities permit the Company, under certain conditions, to add one or more incremental term loans to the 2013 Term Loan Facility in an aggregate principal amount up to $50.0 million.

The term loans are repayable in equal quarterly installments in an aggregate amount equal to 0.25 percent of the original amount of the 2013 Term Loan Facility. The balance of the terms loan are repayable on August 7, 2019. The Company is permitted to make optional prepayments at any time, subject to a variable prepayment premium if the prepayment is made prior to August 6, 2016. Mandatory prepayments of term loans are required from (i) 100 percent of the proceeds of the sale of assets constituting Term Loan Priority Collateral, subject to reinvestment provisions and certain exceptions and thresholds, (ii) 100 percent of the net cash proceeds from issuances of debt by the Company and its subsidiaries, other than permitted indebtedness and (iii) 75 percent (with step-downs to 50 percent and 0 percent based on a leverage ratio) of annual "excess cash flow" provided that any voluntary prepayments of term loans will be credited against excess cash flow obligations. Mandatory prepayments of excess cash flow are payable within five business days after annual financial statements are delivered to the administrative agent beginning with the fiscal year ending December 31, 2014.

The term loans will bear interest at the Adjusted Base Rate ("ABR") plus an applicable margin, or the "Eurodollar Rate" plus an applicable margin. The ABR is the highest of (i) the rate announced by JPMorgan Chase Bank, N.A. as its prime rate, (ii) the federal funds rate plus 0.5 percent, (iii) the Eurodollar Rate applicable for a period of one month plus 1.0 percent and (iv) 2.25 percent. The Eurodollar Rate is the rate for Eurodollar deposits for a period equal to one, two, three or six months, as selected by the Company. The applicable margin for ABR loans is 8.75 percent, and the applicable margin for Eurodollar loans is 9.75 percent.

Obligations under the 2013 Term Loan Facility are secured by a first priority security interest in the Term Loan Priority Collateral and a second priority security interest in the ABL Priority Collateral.

The Company's primary sources of capital are its cash on hand, operating cash flows and borrowings under the ABL Credit Facility. As of September 30, 2014, the Company had $15.0 million in outstanding revolver borrowings. The Company's unused availability under its September 30, 2014 borrowing base certificate was $73.0 million on a borrowing base of $145.4 million and outstanding letters of credit of $57.4 million. However, under the terms of the ABL Credit Facility, a reserve on availability of $19.7 million is in place to ensure the funds will be available, if required, to pay the $32.7 million due at the end of the fourth quarter of 2014 in connection with the Company's settlement agreement with WAPCo (the "WAPCo Reserve"). As such, the Company's unused availability is reduced to approximately $53.3 million as of September 30, 2014. The WAPCo Reserve increases by approximately $6.5 million a month through November 2014.

If the Company's unused availability under the ABL Credit Facility is less than the greater of (i) 15 percent of the revolving commitments or $22.5 million for five consecutive days, or (ii) 12.5 percent of the revolving commitments or $18.8 million at any time, or upon the occurrence of certain events of default under the ABL Credit Facility, the

Company is subject to increased reporting requirements, the administrative agent shall have exclusive control over any deposit account, the Company will not have any right of access to, or withdrawal from, any deposit account, or any right to direct the disposition of funds in any deposit account, and amounts in any deposit account will be applied to reduce the outstanding amounts under the ABL Credit Facility.

On November 12, 2014, the Company entered into a commitment letter (the "Commitment Letter") whereby the Company expects that it may be able to obtain a new term loan facility in an aggregate principal amount of $270.0 million (the "2014 Term Loan Facility"). Proceeds under the 2014 Term Loan Facility would be used to refinance the loans outstanding

6. Long-term Debt (continued)

under the 2013 Term Loan Facility, to pay fees and expenses incurred in connection with the refinancing and to provide the Company with additional working capital. Consummation of the 2014 Term Loan Facility is subject to customary closing conditions and the Company can provide no assurance that it will successfully complete the refinancing.

Debt Covenants and Events of Default

A default under the 2013 Credit Facilities may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2013 Credit Facilities, a failure to make payments when due under the 2013 Credit Facilities, a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of $15.0 million, a change of control of the Company and certain insolvency proceedings. A default under the ABL Credit Facility would permit the lenders to terminate their commitment to make cash advances or issue letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. A default under the 2013 Term Loan Facility would permit the lenders to require immediate repayment of all principal, interest, fees and other amounts payable thereunder.

Based on the decision to restate its Condensed Consolidated Financial Statements for the quarterly periods ended March 31, 2014 and June 30, 2014 and the resulting delay in the timely filing of its Condensed Consolidated Financial Statements for the quarterly period ended September 30, 2014, the Company was in violation of certain technical covenants in the 2013 Credit Facilities, which, among other things, require the Company to deliver financial statements in accordance with GAAP. As a result, effective December 1, 2014, the lenders under the 2013 ABL Credit Facility and the 2013 Term Loan Facility each waived any default or event of default resulting from the failure of the Company's Condensed Consolidated Financial Statements for the quarterly period ended March 31, 2014 to conform to GAAP. In addition, effective October 21, 2014, the lenders under the ABL Credit Facility waived any default or event of default resulting from the failure of the Company's Condensed Consolidated Financial Statements for the quarterly period ended June 30, 2014 to conform to GAAP. Furthermore, effective November 17, 2014, the lenders under the ABL Credit Facility waived any default or event of default resulting from the Company's delay in the timely filing of its Condensed Consolidated Financial Statements for the quarterly period ended September 30, 2014 through December 1, 2014, and on December 1, 2014, this waiver was extended through December 19, 2014.

On November 12, 2014, the Company amended, and obtained certain waivers under, the 2013 Term Loan Facility pursuant to a Waiver and Third Amendment (the "Third Amendment"). The Third Amendment modifies certain financial covenants and waives any defaults or events of default under the 2013 Term Loan Facility as a result of the restatement of the Company's Condensed Consolidated Financial Statements for the quarterly period ended June 30, 2014 and the delay in the timely filing of the Company's Condensed Consolidated Financial Statements for the quarterly period ended September 30, 2014.

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6. Long-term Debt (continued)

The table below sets forth information with respect to the financial covenants included in the 2013 Credit Facilities, as modified by the Third Amendment, as well as the calculation of the Company's performance in relation to the modified covenants at September 30, 2014. If the refinancing of the 2013 Term Loan Facility is completed, the Company expects that the covenant requirements under the 2014 Term Loan Facility will be the same as those described in the table below.

	Covenants Requirements	Actual Ratios at September 30, 2014
Maximum Total Leverage Ratio(1) under the 2013 Term Loan Facility (the ratio of Consolidated Debt to Consolidated EBITDA as defined in the credit agreement for the 2013 Term Loan Facility) should be equal to or less than:	3.00 to 1	2.71
Minimum Interest Coverage Ratio(2) under the 2013 Term Loan Facility (the ratio of Consolidated EBITDA to Consolidated Interest Expense as defined in the credit agreement for the 2013 Term Loan Facility) should be equal to or greater than:	2.75 to 1	3.19
Minimum Fixed Charge Coverage Ratio(3) under the ABL Credit Facility (the ratio of Consolidated EBITDA less Capital Expenditures and cash income taxes to Consolidated Interest Expense, Restricted Payments made in cash and scheduled cash principal payments made on borrowed money as defined in the credit agreement for the ABL Credit Facility) should be equal to or greater than:	1.15 to 1	N/A

(1) The Maximum Total Leverage Ratio increases to 4.50 to 1 as of December 31, 2014 and decreases to 4.00 to 1 as of September 30, 2015, 3.50 to 1 as of December 31, 2015, 3.25 to 1 as of March 31, 2016, 3.00 to 1 as of June 30, 2016 and 2.75 to 1 as of September 30, 2016 and thereafter.

(2) The Minimum Interest Coverage Ratio decreases to 2.00 to 1 as of December 31, 2014 and increases to 2.50 to 1 as of September 30, 2015, 2.75 to 1 as of March 31, 2016, 3.00 to 1 as of June 30, 2016 and 3.50 to 1 as of September 30, 2016 and thereafter.

(3) The Minimum Fixed Charge Coverage Ratio is applicable only if excess availability under the ABL Credit Facility is less than the greater of 15 percent of the commitments or $22.5 million. In addition, prepayments of indebtedness under the 2013 Term Loan Facility are permitted if excess availability under the ABL Credit Facility exceeds the greater of 20 percent of the commitments and $30.0 million and the borrowers and guarantors are in compliance with the Minimum Fixed Charge Coverage Ratio on a pro forma basis immediately prior to and giving effect to the prepayment. Prepayments of indebtedness under the 2013 Term Loan Facility are permitted without restriction to the extent such prepayments are from the proceeds of dispositions of the Term Loan Priority Collateral.

The Company would not have complied with the Minimum Interest Coverage Ratio covenant that was in effect at September 30, 2014 prior to the Third Amendment. However, as of September 30, 2014, the Company was in compliance with all financial covenants under the 2013 Credit Facilities, as modified by the Third Amendment. The Company expects to remain in compliance with the modified covenants for the next 12 months.

Depending on its financial performance, the Company may be required to request additional amendments or waivers for its financial covenants, dispose of assets or reduce overhead. There can be no assurance that the Company will be able to obtain additional amendments or waivers, complete asset sales or reduce sufficient amounts of overhead should it become needed.

The 2013 Credit Facilities also include customary representations and warranties and affirmative and negative covenants, including:

- limitations on liens and indebtedness;
- limitations on dividends and other payments in respect of capital stock;
- limitations on capital expenditures; and
- limitations on modifications of the documentation of the ABL Credit Facility.

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6. Long-term Debt (continued)

Fair Value of Debt
The estimated fair value of the Company’s debt instruments as of September 30, 2014 and December 31, 2013 was as follows (in thousands):

	September 30, 2014	December 31, 2013
2013 Term Loan Facility	$226,735	$252,372
Revolver borrowings under the 2013 ABL Credit Facility	15,000	18,953
Capital lease obligations	1,585	2,278
Other obligations	10,912	14,908
Total fair value of debt instruments	$254,232	$288,511

The 2013 Term Loan Facility, revolver borrowings under the 2013 ABL Credit Facility, capital lease obligations and other obligations are classified within Level 2 of the fair value hierarchy. The fair value of the 2013 Term Loan Facility has been estimated using discounted cash flow analyses based on the Company’s incremental borrowing rate for similar borrowing arrangements. A significant increase or decrease in the inputs could result in a directionally opposite change in the fair value of the 2013 Term Loan Facility.

7. Income Taxes
The effective tax rate on continuing operations was a negative 79.1 percent and a negative 36.3 percent for the nine months ended September 30, 2014 and 2013, respectively. Tax benefit for discrete items for the nine months ended September 30, 2014 was less than $0.1 million. This amount is composed of a tax refund, uncertain tax positions, Texas Margins Tax and the 2013 return to accrual. Tax expense for the nine months ended September 30, 2014 was $9.3 million, mainly due to Canadian Tax and Texas Margins Tax offset by the tax benefit from a tax refund. The Company has not recorded the benefit of current year losses in the United States. As of September 30, 2014, U.S. federal and state deferred tax assets continue to be covered by valuation allowances. The ultimate realization of deferred tax assets is dependent upon the generation of future U.S. taxable income. The Company considers the impacts of reversing taxable temporary differences, future forecasted income and available tax planning strategies when forecasting future taxable income and in evaluating whether deferred tax assets are more likely than not to be realized.
The effective tax rate on continuing operations was 75.9 percent and a negative 36.5 percent for the three months ended September 30, 2014 and September 30, 2013, respectively. Tax expense for the three months ended September 30, 2014 was $2.7 million, which primarily relates to Canadian Tax and Texas Margins Tax.
In April 2011, the Company discontinued its strategy of reinvesting foreign earnings in foreign operations. This change in strategy continues through the third quarter of 2014. The Company does not anticipate recording tax expense related to future repatriations of foreign earnings to the U.S.
The Company expects that the statute of limitations will expire on uncertain tax positions within the next 12 months. Assuming that the statute of limitations expires, the Company would release reserves in the amount of $1.6 million.

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8. Stockholders' Equity

Changes in Accumulated Other Comprehensive Income by Component

	Three Months Ended September 30, 2014 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance as of June 30, 2014	$11,293	$(4,103)	$7,190
Other comprehensive loss before reclassifications	(2,529)	(40)	(2,569)
Amounts reclassified from accumulated other comprehensive income	—	502	502
Net current-period other comprehensive income (loss)	(2,529)	462	(2,067)
Balance as of September 30, 2014	$8,764	$(3,641)	$5,123

	Nine Months Ended September 30, 2014 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance as of December 31, 2013	$11,280	$(2,473)	$8,807
Other comprehensive loss before reclassifications	(2,516)	(2,173)	(4,689)
Amounts reclassified from accumulated other comprehensive income	—	1,005	1,005
Net current-period other comprehensive loss	(2,516)	(1,168)	(3,684)
Balance as of September 30, 2014	$8,764	$(3,641)	$5,123

	Three Months Ended September 30, 2013 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance as of June 30, 2013	$12,354	$(981)	$11,373
Other comprehensive income (loss) before reclassifications	1,093	(2,591)	(1,498)
Amounts reclassified from accumulated other comprehensive income	—	256	256
Net current-period other comprehensive income (loss)	1,093	(2,335)	(1,242)
Balance as of September 30, 2013	$13,447	$(3,316)	$10,131

	Nine Months Ended September 30, 2013 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income
Balance as of December 31, 2012	$14,945	$(1,441)	$13,504
Other comprehensive loss before reclassifications	(1,630)	(2,643)	(4,273)

Amounts reclassified from accumulated other comprehensive income	132	768	900
Net current-period other comprehensive loss	(1,498)	(1,875)	(3,373)
Balance as of September 30, 2013	$13,447	$(3,316)	$10,131

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8. Stockholders' Equity (continued)

Reclassifications out of Accumulated Other Comprehensive Income
Three Months Ended September 30, 2014 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	$502	Interest expense, net
Total	$502	

Nine Months Ended September 30, 2014 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	$1,005	Interest expense, net
Total	$1,005	

Three Months Ended September 30, 2013 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	$256	Interest expense, net
Total	$256	

Nine Months Ended September 30, 2013 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	$768	Interest expense, net
Total	$768	

Stock Ownership Plans

In May 1996, the Company established the Willbros Group, Inc. 1996 Stock Plan (the "1996 Plan") with 1,125,000 shares of common stock authorized for issuance to provide for awards to key employees of the Company, and the Willbros Group, Inc. Director Stock Plan (the "Director Plan") with 125,000 shares of common stock authorized for issuance to provide for the grant of stock options to non-employee directors. The number of shares authorized for issuance under the 1996 Plan and the Director Plan, was increased to 4,825,000 and 225,000, respectively, by stockholder approval. The Director Plan expired August 16, 2006.

In 2006, the Company established the 2006 Director Restricted Stock Plan (the “2006 Director Plan”) with 50,000 shares authorized for issuance to grant shares of restricted stock and restricted stock rights to non-employee directors. The number of shares authorized for issuance under the 2006 Director Plan was increased in 2008 to 250,000, in 2012 to 550,000 and in 2014 to 750,000 by stockholder approval.

On May 26, 2010, the Company established the Willbros Group, Inc. 2010 Stock and Incentive Compensation Plan (the “2010 Plan”) with 2,100,000 shares of common stock authorized for issuance (increased in 2012 to 3,450,000 shares and in 2014 to 6,050,000 shares by stockholder approval) to provide for awards to key employees of the Company. All future grants of stock awards to key employees will be made through the 2010 Plan. As a result, the 1996 Plan was frozen, with the exception of normal vesting, forfeiture and other activity associated with awards previously granted under the 1996 Plan. At September 30, 2014, the 2010 Plan had 3,039,852 shares available for grant.

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9. Income (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is based on the weighted average number of shares outstanding during each period and the assumed exercise of potentially dilutive stock options and vesting of restricted stock units less the number of treasury shares assumed to be purchased from the proceeds using the average market price of the Company’s stock for each of the periods presented.

Basic and diluted income (loss) per common share from continuing operations is computed as follows (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income (loss) from continuing operations applicable to common shares (numerator for basic and diluted calculation)	$870	$(11,982)	$(21,017)	$(26,077)
Weighted average number of common shares outstanding for basic income (loss) per share	49,414,847	48,642,180	49,201,697	48,512,089
Weighted average number of potentially dilutive common shares outstanding	811,814	—	—	—
Weighted average number of common shares outstanding for diluted income (loss) per share	50,226,661	48,642,180	49,201,697	48,512,089
Income (loss) per common share from continuing operations:				
Basic	$0.02	$(0.25)	$(0.43)	$(0.54)
Diluted	$0.02	$(0.25)	$(0.43)	$(0.54)

The Company has excluded shares potentially issuable under the terms of use of the securities listed below from the computation of diluted income per share, as the effect would be anti-dilutive:

	Three Months Ended September 30,	
	2014	2013
Stock options	177,750	184,551
Restricted stock and restricted stock rights	—	609,107
	177,750	793,658

10. Segment Information

The Company’s segments are comprised of strategic businesses that are defined by the industries or geographic regions they serve. Each is managed as an operation with well-established strategic directions and performance requirements. Management evaluates the performance of each operating segment based on operating income. To support the segments, the Company has a focused corporate operation led by the executive management team, which, in addition to oversight and leadership, provides general, administrative and financing functions for the organization. The costs to provide these services are allocated, as are certain other corporate costs, to the four operating segments.

The Company's cable restoration business, which was historically part of the Utility T&D segment, was incorporated into the Professional Services segment effective July 1, 2014 to align along with the other engineering and technology services offered in this segment.

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10. Segment Information (continued)

The following tables reflect the Company’s operations by reportable segment for the three months ended September 30, 2014 and 2013 (in thousands):

	Three Months Ended September 30, 2014					
	Oil & Gas	Utility T&D	Professional Services	Canada	Eliminations	Consolidated
Contract revenue	$253,727	$93,630	$113,160	$100,777	$(1,601)	$559,693
Operating expenses	252,632	93,608	108,317	95,319	(1,601)	548,275
Operating income	$1,095	$22	$4,843	$5,458	$—	11,418
Other expense						(7,809)
Provision for income taxes						2,739
Income from continuing operations						870
Loss from discontinued operations net of provision for income taxes						(4,229)
Net loss						$(3,359)

	Three Months Ended September 30, 2013					
	Oil & Gas	Utility T&D	Professional Services	Canada	Eliminations	Consolidated
Contract revenue	$160,233	$91,922	$103,655	$124,914	$(1,620)	$479,104
Operating expenses	168,550	90,072	96,911	113,839	(1,620)	467,752
Operating income (loss)	$(8,317)	$1,850	$6,744	$11,075	$—	11,352
Other expense						(20,129)
Provision for income taxes						3,205
Loss from continuing operations						(11,982)
Loss from discontinued operations net of provision for income taxes						(13,951)
Net loss						$(25,933)

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10. Segment Information (continued)

The following tables reflect the Company's operations by reportable segment for the nine months ended September 30, 2014 and 2013 (in thousands):

	Nine Months Ended September 30, 2014					
	Oil & Gas	Utility T&D	Professional Services	Canada	Eliminations	Consolidated
Contract revenue	$665,266	$271,018	$331,925	$313,133	$(5,321)	$1,576,021
Operating expenses	707,788	263,197	315,083	282,945	(5,321)	1,563,692
Operating income (loss)	$(42,522)	$7,821	$16,842	$30,188	$—	12,329
Other expense						(24,063)
Provision for income taxes						9,283
Loss from continuing operations						(21,017)
Loss from discontinued operations net of provision for income taxes						(22,843)
Net loss						$(43,860)

	Nine Months Ended September 30, 2013					
	Oil & Gas	Utility T&D	Professional Services	Canada	Eliminations	Consolidated
Contract revenue	$463,137	$306,158	$298,115	$324,334	$(5,884)	$1,385,860
Operating expenses	507,759	287,370	281,990	298,444	(5,884)	1,369,679
Operating income (loss)	$(44,622)	$18,788	$16,125	$25,890	$—	16,181
Other expense						(35,315)
Provision for income taxes						6,943
Loss from continuing operations						(26,077)
Loss from discontinued operations net of provision for income taxes						(2,565)
Net loss						$(28,642)

Total assets by segment as of September 30, 2014 and December 31, 2013 are presented below (in thousands):

	September 30, 2014	December 31, 2013
Oil & Gas	$231,672	$234,004
Utility T&D	236,174	234,920
Professional Services	138,123	120,775
Canada	106,434	123,838
Corporate	63,379	57,448
Total assets, continuing operations	$775,782	$770,985

11. Contingencies, Commitments and Other Circumstances
Contingencies
Central Maine Power
On January 20, 2014, the Company settled a lawsuit against Central Maine Power Company ("CMP") in connection with an existing project to install transmission lines and perform construction services for CMP, for the project generally known as the Transmission Line Construction of the Southern Loop and Southern Connector portion of the Maine Power Reliability Program (the "MPRP Project"). Under terms of the settlement, CMP made a payment to the Company in the first quarter of 2014 of $20.1 million, which consisted of $17.0 million in settlement proceeds and

$3.1 million as an early payment of retention. In addition, CMP extended the schedule and provided other relief on the remainder of the MPRP Project. The impact of the settlement on operating results was recognized in the fourth quarter of 2013. The Company completed the MPRP Project during the third quarter of 2014.

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11. Contingencies, Commitments and Other Circumstances (continued)

Litigation and Regulatory Matters Related to the Company’s October 21, 2014 Press Release Announcing the Restatement of Condensed Consolidated Financial Statements for the Quarterly Period Ended June 30, 2014

After the Company announced it would be restating its Condensed Consolidated Financial Statements for the quarterly period ended June 30, 2014, a complaint was filed in the United States District Court for the Southern District of Texas on October 28, 2014 seeking class action status on behalf of the Company’s shareholders and alleging damages on their behalf arising from the matters that led to the restatement. The defendants in the case, Ray Walters v. Willbros Group, Inc. et al, are the Company and its former chief executive officer and current chief financial officer. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, arising out of the restatement of the Company’s second quarter 2014 financial statements and seeks undisclosed damages. The court has not appointed a lead plaintiff, and the Company has not yet answered or otherwise responded to the complaint. As this matter is at a very early stage, the Company is not able at this time to determine the likelihood of loss, if any, arising from this matter. The Company believes the claims are without merit and intends to defend against them vigorously.

In addition, a shareholder derivative complaint, Markovich v. Harl et al, was filed on November 6, 2014 in the United States District Court for the Southern District of Texas on behalf of the Company naming certain current and former officers and members of the Company's board of directors as defendants and the Company as a nominal defendant. The complaint alleges that the officer and board member defendants breached their fiduciary duties by permitting the Company's internal controls to be inadequate, wasted corporate assets and were unjustly enriched. As this matter is at a very early stage, the Company is not able at this time to determine the likelihood of loss, if any, arising from this matter.

Other

In addition to the matters discussed above and in Note 13 – Discontinued Operations, the Company is party to a number of other legal proceedings. Management believes that the nature and number of these proceedings are typical for a firm of similar size engaged in a similar type of business and that none of these proceedings is material to the Company’s condensed consolidated results of operations, financial position or cash flows.

Commitments

From time to time, the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with the Company’s customers may require the Company to secure letters of credit or surety bonds with regard to the Company’s performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may allow the Company to issue letters of credit or surety bonds in lieu of contract retention provisions, where the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At September 30, 2014, the Company had approximately $57.4 million of outstanding letters of credit. This amount represents the maximum amount of payments the Company could be required to make if these letters of credit are drawn upon. Additionally, the Company issues surety bonds customarily required by commercial terms on construction projects. At September 30, 2014, the Company had bonds outstanding, primarily performance bonds, with a face value at $204.1 million. This amount represents the bond penalty amount of future payments the Company could be required to make if the Company fails to perform its obligations under such contracts. The performance bonds do not have a stated expiration date; rather, each is released when the contract is accepted by the owner. The Company’s maximum exposure as it relates to the value of the bonds outstanding is lowered on each bonded project as the cost to complete is reduced. As of September 30, 2014, no liability has been recognized for letters of credit or surety bonds.

Other Circumstances

The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is normally responsible for the performance of the entire project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying consolidated financial statements.

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12. Fair Value Measurements

The FASB’s standard on fair value measurements defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Fair Value Hierarchy

The FASB’s standard on fair value measurements establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This standard establishes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities.

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, notes payable, long-term debt and interest rate contracts. The fair value estimates of the Company’s financial instruments have been determined using available market information and appropriate valuation methodologies and approximate carrying value.

Financial Instruments Measured at Fair Value on a Recurring Basis

The Company measures certain financial instruments at fair value on a recurring basis. The fair value of these financial instruments (in thousands) was determined using the following inputs as of September 30, 2014 and December 31, 2013:

	September 30, 2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Interest rate swaps	$3,641	$—	$3,641	$—

	December 31, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Interest rate swaps	$2,473	$—	$2,473	$—

Hedging Arrangements

The Company attempts to negotiate contracts that provide for payment in U.S. dollars, but it may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, the Company seeks to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenue with expenses in the same currency, the Company may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies.

The Company had no derivative financial instruments to hedge currency risk at September 30, 2014 or December 31, 2013.

12. Fair Value Measurements (continued)

Interest Rate Swaps

The Company is subject to hedging arrangements to fix or otherwise limit the interest cost of its variable interest rate borrowings. The Company is subject to interest rate risk on its debt and investment of cash and cash equivalents arising in the normal course of business. The Company does not engage in speculative trading strategies.

In August 2013, the Company entered into an interest rate swap agreement for a notional amount of $124.1 million to hedge changes in the variable rate interest expense on $124.1 million of its existing or replacement LIBOR indexed debt. Under the swap agreement, which is effective June 30, 2014 through August 7, 2019, the Company receives interest at either one-month LIBOR or 1.25 percent (whichever is greater) and pays interest at a fixed rate of 2.84 percent. The swap is designated and qualifies as a cash flow hedging instrument with the effective portion of the swap's change in fair value recorded in Other Comprehensive Income ("OCI"). The swap is highly effective in offsetting changes in interest expense and no hedge ineffectiveness has been recorded in the Condensed Consolidated Statements of Operations. Amounts in OCI will be reclassified to interest expense when the hedged interest payments on the underlying debt are recognized.

In September 2010, the Company entered into two interest rate swap agreements for a total notional amount of $150.0 million to hedge changes in the variable rate interest expense on $150.0 million of its then existing or replacement LIBOR indexed debt. Under each swap agreement, the Company received interest at either three-month LIBOR or 2 percent (whichever was greater) and paid interest at a fixed rate of 2.68 percent through June 30, 2014. Through August 7, 2013, the swap agreements were designated and qualified as cash flow hedging instruments, with the effective portion of the swaps' change in fair value recorded in OCI. Amounts in OCI were reclassified to interest expense when the hedged interest payments on the underlying debt are recognized during the period when the swaps were designated as cash flow hedges. Through August 7, 2013, the swaps were highly effective hedges, and only an immaterial amount of hedge ineffectiveness was recorded in the Consolidated Statements of Operations. On August 7, 2013, the swaps were de-designated due to the refinancing of the underlying debt, which decreased the interest rate floor from 2 percent to 1.25 percent. In addition, on August 7, 2013, each swap agreement was transferred to another party through a novation transaction, which increased the Company's interest rate to 2.70 percent through June 30, 2014. Changes in the value of the swaps that remain open are reported in earnings and were immaterial for the nine months ended September 30, 2014.

The carrying amount and fair value of these swap agreements are equivalent since the Company accounts for these instruments at fair value. The values, as identified below (in thousands), are derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. For validation purposes, the swap valuations are periodically compared to those produced by swap counterparties. Amounts of OCI relating to the interest rate swaps expected to be recognized in interest expense in the coming twelve months totaled $1.9 million.

	Liability Derivatives			
	September 30, 2014		December 31, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts- swaps	Other current liabilities	$1,875	Other current liabilities	$1,505
Interest rate contracts- swaps	Other long-term liabilities	1,766	Other long-term liabilities	968

Total derivatives	$3,641	$2,473

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

12. Fair Value Measurements (continued)

For the Three Months Ended September 30,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	
	2014	2013		2014	2013
Interest rate contracts	$(40)	$(2,591)	Interest expense, net	$502	$256
Total	$(40)	$(2,591)		$502	$256

For the Nine Months Ended September 30,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	
	2014	2013		2014	2013
Interest rate contracts	$(2,173)	$(2,643)	Interest expense, net	$1,005	$768
Total	$(2,173)	$(2,643)		$1,005	$768

13. Discontinued Operations

Business Disposals
Hawkeye
In the fourth quarter of 2013, the Company sold certain assets comprising its Hawkeye business to Elecnor Hawkeye, LLC, a subsidiary of Elecnor, Inc. (“Elecnor”). In connection with the sale, the Company recorded total consideration of $27.7 million, subject to a post-closing working capital adjustment. At the closing, Elecnor delivered two letters of credit, one to the Company for $16.2 million and the other to the escrow agent for $8.0 million. The Company recognized a net loss on the sale of $2.7 million in the fourth quarter of 2013. As a result, the disposition had no impact on the operating results in the nine months ended September 30, 2014.
In the first quarter of 2014, the Company received $21.2 million in cash consisting of full payment against the $16.2 million letter of credit and $5.0 million of the $8.0 million in escrow. The Company has received $0.7 million of additional proceeds in the second quarter of 2014, and an additional $0.8 million in July 2014. The Company expects to receive approximately $4.2 million of the remaining $5.0 million in proceeds once the post-closing working capital adjustment is finalized.

CTS
In the second quarter of 2014, the Company sold its CTS business to a private buyer. In connection with the disposition, the Company recorded total proceeds of $25.0 million and recognized a net loss on sale of $8.2 million. The net loss is inclusive of a non-cash charge of $15.0 million related to intangible assets associated with the sold business.

Former Nigeria-Based Operations

Litigation and Settlement

On March 29, 2012, the Company and Willbros Global Holdings, Inc., formerly known as Willbros Group, Inc., a Panama corporation ("WGHI"), which is now a subsidiary of the Company, entered into a settlement agreement (the "Settlement Agreement") with WAPCo to settle a lawsuit filed against WGHI by WAPCo in 2010 under English law in the London High Court in which WAPCo was seeking $273.7 million plus costs and interest. The lawsuit was based upon a parent company guarantee issued by WGHI to WAPCo in connection with a Nigerian project undertaken by a WGHI subsidiary that was later sold to a third party. WAPCo alleged that the third party defaulted in the performance of the project and thereafter brought the lawsuit against WGHI under the parent company guarantee for its claimed losses.

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WILLBROS GROUP, INC.
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(Unaudited)

13. Discontinued Operations (continued)

The Settlement Agreement provides that WGHI must make payments to WAPCo totaling $55.5 million of which $14.0 million was paid in 2012, $5.0 million was paid in 2013 and $3.8 million was paid in the third quarter of 2014. The remaining $32.7 million is due at the end of the fourth quarter of 2014.
WGI and WGHI are jointly and severally liable for payment of the amount due to WAPCo under the Settlement Agreement. WGHI and WGI are subject to a penalty rate of interest and collection efforts in the London court in the event they fail to meet any of the payments required by the Settlement Agreement.
The Company currently has no employees working in Nigeria and does not intend to return to Nigeria.

Results of Discontinued Operations
Condensed Statements of Operations with respect to discontinued operations are as follows (in thousands):

	Three Months Ended September 30, 2014					
	Canada	Hawkeye	Oman	WAPCo / Other	CTS	Total
Revenue	$—	$591	$—	$—	$—	$591
Operating loss	—	(4,329)	—	—	—	(4,329)
Pre-tax loss	—	(4,229)	—	—	—	(4,229)
Provision for taxes	—	—	—	—	—	—
Net loss	$—	$(4,229)	$—	$—	$—	$(4,229)

	Three Months Ended September 30, 2013					
	Canada	Hawkeye	Oman	WAPCo / Other	CTS	Total
Revenue	$—	$16,047	$—	$—	$23,934	$39,981
Operating loss	(13)	(13,288)	—	(149)	(484)	(13,934)
Pre-tax loss	(13)	(13,305)	—	(149)	(484)	(13,951)
Provision for taxes	—	—	—	—	—	—
Net loss	$(13)	$(13,305)	$—	$(149)	$(484)	$(13,951)

	Nine Months Ended September 30, 2014					
	Canada	Hawkeye	Oman	WAPCo / Other	CTS	Total
Revenue	$—	$11,663	$—	$—	$24,361	$36,024
Operating loss	—	(13,152)	—	—	(9,538)	(22,690)
Pre-tax loss	—	(13,305)	—	—	(9,538)	(22,843)
Provision for taxes	—	—	—	—	—	—
Net loss	$—	$(13,305)	$—	$—	$(9,538)	$(22,843)

	Nine Months Ended September 30, 2013					
	Canada	Hawkeye	Oman	WAPCo / Other	CTS	Total
Revenue	$—	$56,443	$—	$—	$92,401	$148,844
Operating income (loss)	(25)	(28,940)	23,639	(222)	2,492	(3,056)
Pre-tax income (loss)	(25)	(29,071)	23,639	(97)	2,989	(2,565)
Provision for taxes	—	—	—	—	—	—

Net income (loss)	$(25)	$(29,071)	$23,639	$(97)	$2,989	$(2,565)

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WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

13. Discontinued Operations (continued)

Condensed Balance Sheets with respect to discontinued operations are as follows (in thousands):

	September 30, 2014			
	Hawkeye	CTS	WAPCo	Total
Accounts receivable, net	$6,942	$—	$—	$6,942
Contract cost and recognized income not yet billed	66	—	—	66
Prepaid expenses	642	—	—	642
Property, plant and equipment, net	616	—	—	616
Other	899	—	—	899
Total assets	$9,165	$—	$—	$9,165
Accounts payable and accrued liabilities	$4,390	$—	$—	$4,390
Contract billings in excess of cost and recognized income	998	—	—	998
Settlement obligations	—	—	32,750	32,750
Other	78	—	—	78
Total liabilities	$5,466	$—	$32,750	$38,216
Net assets (liabilities) of discontinued operations	$3,699	$—	$(32,750)	$(29,051)

	December 31, 2013			
	Hawkeye	CTS	WAPCo	Total
Cash and cash equivalents	$1,041	$—	$—	$1,041
Accounts receivable, net	36,404	17,607	—	54,011
Contract cost and recognized income not yet billed	18,379	2,047	—	20,426
Property, plant and equipment, net	1,195	5,433	—	6,628
Intangible assets, net	—	15,654	—	15,654
Other	1,704	219	—	1,923
Total assets	$58,723	$40,960	$—	$99,683
Accounts payable and accrued liabilities	$9,952	$7,858	$—	$17,810
Settlement obligations	—	—	36,500	36,500
Other	178	377	—	555
Total liabilities	$10,130	$8,235	$36,500	$54,865
Net assets (liabilities) of discontinued operations	$48,593	$32,725	$(36,500)	$44,818

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2014 and 2013, included in Item 1 of Part I of this Form 10-Q, and the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, including Critical Accounting Policies, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

OVERVIEW

Willbros is a specialty energy infrastructure contractor serving the oil, gas, refinery, petrochemical and power industries. Our offerings include engineering, procurement and construction (either individually or as an integrated "EPC" service offering), turnarounds, maintenance, facilities development and operations services.

Third Quarter of 2014

In the third quarter of 2014, we reported contract revenue of $559.7 million, an increase of approximately $80.6 million from the third quarter of 2013. The increase was attributed primarily to an increase of $93.5 million in our Oil & Gas segment as well as an increase of $9.5 million in our Professional Services segment. The overall increase in contract revenue was partially offset by a decrease of $24.1 million in our Canada segment.

Operating income of $11.4 million during the third quarter of 2014 was an increase of $0.1 million compared to the third quarter of 2013. The overall improvement reflects improved profitability in our Oil & Gas segment partially offset by decreased income in our Canada, Utility T&D and Professional Services segments.

Contract revenue of $253.7 million generated by our Oil & Gas segment increased approximately 58.3 percent from the third quarter of 2013 primarily driven by increased demand and a higher utilization of resources within our cross-country pipeline and regional delivery services. Operating income of $1.1 million in the third quarter of 2014 for the Oil & Gas segment was a $9.4 million increase compared to the same period last year. The increase was attributed to improved results in our mainline and integrity construction services, primarily through strong performance on the NET Mexico 42-inch gas line project in south Texas. Management continues to examine our regional delivery service offerings in order to address these markets in a more efficient and effective manner.

Contract revenue of $93.6 million generated by our Utility T&D segment increased $1.7 million from the third quarter of 2013 and operating income decreased $1.8 million over the same period to essentially break-even. The change in revenue was driven primarily by growth in distribution MSA work in Texas and the Mid-Atlantic region, partially offset by decreases in the electric transmission construction work. The decrease in operating income is primarily attributable to decreased productivity in both electric transmission and Northeast matting and distribution services. The overall decrease was partially offset by higher margins from the growth in distribution MSA work.

Our Canada segment reported contract revenue of $100.8 million, down $24.1 million from the same period last year. Operating income for the third quarter of 2014 of $5.5 million was down $5.6 million from the same period last year due primarily to lower revenues as major project work was completed. Canada continues to perform at a high level, with its focus on the oil sands mining and in-situ markets for both maintenance and capital projects.

Our Professional Services segment increased contract revenue by 9.2 percent over the third quarter of 2013, to $113.2 million. Professional Services' operating income of $4.8 million in the third quarter of 2014 was a $1.9 million decrease from the third quarter of last year. The decrease in operating income was primarily driven by lower margins in our engineering service offerings in the downstream market.

Looking Forward

During the third quarter of 2014, new executive leadership and a new senior management team were put in place. We are focused on simplifying the management structure, improving internal communications and controls, reinforcing operating teams with experienced industry veterans and improving the balance sheet. These actions are expected to remedy the execution issues in the Oil & Gas segment as well as support the opportunities we anticipate in 2015 and 2016 for mainline gas pipeline construction and mid-size liquids pipeline construction. We continue to expect increased opportunities for our Professional Services, Oil & Gas and Utility T&D segments. In our Canada segment, we expect continued long term opportunities in the oil sands providing construction and maintenance services to the mine sites, and our presence on these sites positions us for recurring spend on maintenance as well as capital projects which fit our experience and skill sets. The overriding goal of the new management team is to return the company's operating performance to margins equal to or better than peers and continue to focus on driving the process-oriented culture change that has positively impacted safety performance over the last two years. We will also focus on

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managing our liquidity to support future project opportunities, while seeking to reduce long-term debt, in part, through asset sales.

Other Financial Measures

Adjusted EBITDA from Continuing Operations

We define Adjusted EBITDA from continuing operations as income (loss) from continuing operations before interest expense, income tax expense (benefit) and depreciation and amortization, adjusted for items broadly consisting of selected items which management does not consider representative of our ongoing operations and certain non-cash items of the Company. These adjustments are itemized in the following table. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA from continuing operations, you should be aware that in the future we may incur expenses that are the same as, or similar to, some of the adjustments in this presentation. Our presentation of Adjusted EBITDA from continuing operations should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Management uses Adjusted EBITDA from continuing operations as a supplemental performance measure for:

- Comparing normalized operating results with corresponding historical periods and with the operational performance of other companies in our industry; and
- Presentations made to analysts, investment banks and other members of the financial community who use this information in order to make investment decisions about us.

Adjusted EBITDA from continuing operations is not a financial measurement recognized under U.S. generally accepted accounting principles, or U.S. GAAP. When analyzing our operating performance, investors should use Adjusted EBITDA from continuing operations in addition to, and not as an alternative for, net income, operating income, or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. Because not all companies use identical calculations, our presentation of Adjusted EBITDA from continuing operations may be different from similarly titled measures of other companies.

A reconciliation of Adjusted EBITDA from continuing operations to U.S. GAAP financial information follows (in thousands):

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Loss from continuing operations	$(21,017)	$(26,077)
Interest expense, net	22,662	23,329
Provision for income taxes	9,283	6,943
Depreciation and amortization	27,410	29,875
Loss on early extinguishment of debt	948	11,573
Stock based compensation	9,371	4,727
Restructuring and reorganization costs	247	198
Gain on disposal of property and equipment	(3,260)	(1,667)
Adjusted EBITDA from continuing operations	$45,644	$48,901

Backlog

Backlog broadly consists of anticipated revenue from the uncompleted portions of existing contracts and contracts whose award is reasonably assured, subject only to the cancellation and modification provisions contained in various contracts. Additionally, due to the short duration of many jobs, revenue associated with jobs won and performed within a reporting period will not be reflected in quarterly backlog reports. We generate revenue from numerous sources, including contracts of long or short duration entered into during a year as well as from various contractual processes, including change orders, extra work and variations in the scope of work. These revenue sources are not added to backlog until realization is assured.

Our backlog presentation reflects not only the 12-month lump sum and work under a Master Service Agreement ("MSA") but also the full-term value of work under contract, including MSA work, as we believe that this information is helpful in providing additional long-term visibility. We determine the amount of backlog for work under ongoing MSA maintenance and construction contracts by using recurring historical trends inherent in the MSAs, factoring in seasonal demand and projecting

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customer needs based upon ongoing communications with the customer. We also include in backlog our share of work to be performed under contracts signed by joint ventures in which we have an ownership interest.

At September 30, 2014, total backlog was approximately $1.5 billion and 12 month backlog was approximately $0.8 billion. In comparison to December 31, 2013, total backlog decreased approximately $462.7 million and 12 month backlog decreased approximately $225.6 million. These decreases are primarily related to the burn-off of backlog on certain significant Oil & Gas projects and the continued work-off of MSAs, which are subject to renewal options in future years. Large lump sum pipeline construction projects (both large diameter and mid-size), which are typically performed in less than one year, make up a significant portion of the projects for our Oil & Gas segment. Bidding activities for these types of projects, which are scheduled to begin in the favorable (for construction) Spring timeframe are underway now. We expect awards of these projects to begin in the coming months and we believe we are positioned to capture projects which will align with our resources and recent experience. At December 31, 2013, we had $200.1 million of backlog associated with three major pipeline construction projects. We have completed $176.1 million of that work in the first nine months of this year. Since September 30, 2014, we have booked approximately $90.0 million in contract awards in the Oil & Gas segment. Our select prospects list totals over $1.0 billion for similar projects to be conducted in 2015 and 2016, and we are currently tendering on over $500.0 million of Oil & Gas projects which we expect to be awarded either to us or a competitor before the end of the first quarter of 2015.
The following tables (in thousands) show our backlog from continuing operations by operating segment and geographic location as of September 30, 2014 and December 31, 2013:

	September 30, 2014								December 31, 2013							
	12 Month		Percent		Total		Percent		12 Month		Percent		Total		Percent	
Oil & Gas	$	184,231	22.7	%	$	187,726	12.5	%	$	367,726	35.5	%	$	368,776	18.7	%
Utility T&D		254,746	31.3	%		799,456	53.0	%		254,060	24.4	%		860,260	43.7	%
Professional Services		187,273	23.0	%		273,144	18.1	%		238,425	22.9	%		375,256	19.0	%
Canada		187,585	23.0	%		247,216	16.4	%		179,175	17.2	%		365,946	18.6	%
Total Backlog	$	813,835	100.0	%	$	1,507,542	100.0	%	$	1,039,386	100.0	%	$	1,970,238	100.0	%

	September 30, 2014				December 31, 2013			
	Total		Percent		Total		Percent	
Total Backlog by Geographic Region								
United States	$	1,257,858	83.4	%	$	1,599,796	81.2	%
Canada		247,216	16.4	%		365,946	18.6	%
Other International		2,468	0.2	%		4,496	0.2	%
Backlog	$	1,507,542	100.0	%	$	1,970,238	100.0	%

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In our Annual Report on Form 10-K for the year ended December 31, 2013, we identified and disclosed our significant accounting policies. Subsequent to December 31, 2013, there has been no change to our significant accounting policies.

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RESULTS OF OPERATIONS
Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013
(in thousands)

	2014	2013	Change
Contract revenue			
Oil & Gas	$253,727	$160,233	$93,494
Utility T&D	93,630	91,922	1,708
Professional Services	113,160	103,655	9,505
Canada	100,777	124,914	(24,137)
Eliminations	(1,601)	(1,620)	19
Total	559,693	479,104	