SI Financial Group, Inc.
Form S-1/A
November 02, 2010
Table of Contents

As filed with the Securities and Exchange Commission on November 2, 2010

Registration No. 333-169302

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

PRE-EFFECTIVE AMENDMENT NO. 2

TO THE

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SI Financial Group, Inc.

and

Savings Institute Profit Sharing and 401(k) Savings Plan

(Exact name of registrant as specified in its charter)

Maryland	**6035**	**80-0643149**
State or other jurisdiction of	**(Primary Standard Industrial**	**(IRS Employer Identification No.)**
incorporation or organization	**Classification Code Number)**	

803 Main Street

Willimantic, Connecticut 06226

(860) 423-4581

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Rheo A. Brouillard

President and Chief Executive Officer

SI Financial Group, Inc.

803 Main Street

Willimantic, Connecticut 06226

(860) 423-4581

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Paul M. Aguggia, Esq.	**Douglas P. Faucette, Esq.**
Victor L. Cangelosi, Esq.	**John Bruno, Esq.**
Scott A. Brown, Esq. **Kilpatrick Stockton LLP** **607 14th Street, NW, Suite 900** **Washington, DC 20005** **(202) 508-5800**	**Locke Lord Bissell & Liddell LLP** **701 8th Street, NW, Suite 700** **Washington, DC 20001** **(202) 220-6900**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Calculation of Registration Fee

Title of each class of securities to be registered	**Proposed maximum Aggregate offering price (1)**	**Amount of Registration fee**
Common Stock $0.01 par value	$112,217,520	(2)
Participation Interests (3)		

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Regulation 457(o) under the Securities Act.
(2) A filing fee of $8,002 was paid with the initial filing of the Registration Statement on Form S-1 on September 10, 2010.
(3) The securities of SI Financial Group, Inc. to be purchased by the Savings Institute Profit Sharing and 401(k) Savings Plan are included in the common stock being registered. Pursuant to Rule 457(h)(2) of the Securities Act of 1933, as amended, no separate fee is required for the participation interests.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

Table of Contents

INTERESTS IN THE

SAVINGS INSTITUTE BANK AND TRUST COMPANY

PROFIT SHARING

AND

401(k) SAVINGS PLAN

AND

OFFERING OF 860,950 SHARES OF

SI FINANCIAL GROUP, INC.

COMMON STOCK ($.01 PAR VALUE)

This prospectus supplement relates to the offer and sale to participants in the Savings Institute Bank and Trust Company Profit Sharing and 401(k) Savings Plan of participation interests and shares of common stock of SI Financial Group, Inc., a newly formed Maryland corporation. SI Financial Group is offering common stock for sale in connection with the conversion of the Savings Institute Bank and Trust Company from the partially public mutual holding company form of organization to the fully public stock holding company structure.

In connection with the stock offering, Savings Plan participants may direct First Bankers Trust Services, Inc., the trustee for the SI Financial Group Stock Fund (SI Financial Group Stock Fund Trustee), to use their account balances as of July 31, 2010 (excluding funds already invested in SI Financial common stock) to subscribe for and purchase shares of SI Financial Group common stock through the SI Financial Group Stock Fund. Based upon the value of the Savings Plan assets as of July 31, 2010 the SI Financial Group Stock Fund Trustee may purchase up to 860,950 shares of SI Financial Group common stock at $8.00 per share.

This prospectus supplement relates to the election of Savings Plan participants to direct the SI Financial Group Stock Fund Trustee to invest all or a portion of their existing Savings Plan accounts (less those amounts currently invested through the SI Financial Group Stock Fund) in SI Financial Group common stock. The SI Financial Group prospectus dated , 2010, which we have attached to this prospectus supplement, includes detailed information regarding the offering of shares of SI Financial Group common stock and the financial condition, results of operations and business of Savings Institute. This prospectus supplement provides information regarding the Savings Plan. You should read this prospectus supplement together with the prospectus and keep both for future reference.

Please refer to Risk Factors beginning on page of the prospectus.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, nor any other state or federal agency or any state securities commission, has approved or disapproved these securities. Any representation to the contrary is a criminal offense.

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

This prospectus supplement may be used only in connection with offers and sales by SI Financial Group of participation interests or shares of common stock under the Savings Plan to participants in the Savings Plan. No one may use this prospectus supplement to re-offer or resell interests or shares of common stock acquired through the Savings Plan.

You should rely only on the information contained in this prospectus supplement and the attached prospectus. Neither SI Financial Group, SI Bancorp, MHC, Savings Institute nor the Savings Plan have authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of common stock shall under any circumstances imply that there has been no change in the affairs of Savings Institute or the Savings Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

The date of this Prospectus Supplement is , 2010.

TABLE OF CONTENTS

Table of Contents

THE OFFERING

Securities Offered

The securities offered in connection with this prospectus supplement are participation interests in the Savings Plan. Given the offering price of $8.00 per share and the value of the Savings Plan assets, the SI Financial Group Stock Fund Trustee may acquire up to 860,950 shares of SI Financial Group, Inc. common stock. Certain subscription rights and purchase limitations govern your investment in the SI Financial Group, Inc. Stock Fund in connection with the Stock offering. *See The Conversion and Offering Subscription Offering and Subscription Rights* and *Limitations on Purchases of Shares* in the prospectus attached to this prospectus supplement for further discussion of these subscription rights and purchase limitations.

The shares of common stock currently held in the Savings Plan will automatically be exchanged for shares of new SI Financial Group, Inc., a newly formed Maryland corporation, pursuant to an exchange ratio as more fully described in the prospectus attached to this prospectus supplement. *See The Conversion and Offering Share Exchange Ratio for Current Shareholders.* Any new shares you purchase in the stock offering will be added to the shares of new SI Financial Group common stock that you receive in the exchange described above. All of these shares will be held in the SI Financial Group, Inc. Stock Fund.

This prospectus supplement contains information regarding the Savings Plan. The attached prospectus contains information regarding the stock offering and the financial condition, results of operations and business of Savings Institute. The address of the principal executive office of Savings Institute is 803 Main Street, Willimantic, Connecticut 06226. The telephone number of Savings Institute is 860-423-4581.

Election to Purchase Shares of New SI Financial Group Common Stock in the Stock Offering

In connection with the stock offering, you may direct the SI Financial Group Stock Fund Trustee to transfer all or part of the funds that represent your current beneficial interest in the assets of the Savings Plan (excluding your current investment in the SI Financial Group Stock Fund) to the SI Financial Group Stock Fund. The trustee will subscribe for the new SI Financial Group common stock in accordance with each participant s direction. **If there is not enough common stock in the stock offering to fill all subscriptions, the common stock will be apportioned and the SI Financial Group Stock Fund trustee may not be able to purchase all of the common stock you requested. In such a case, if you elect, the Trustee will purchase shares in the open market on your behalf, after the close of the stock offering, to fulfill your initial request. The Trustee may make such purchases at prices higher or lower than the $8.00 offering price.**

Persons Who May Purchase Shares of New SI Financial Group Common Stock in the Stock Offering

All plan participants are eligible to direct a transfer of Savings Plan funds that are not currently invested in SI Financial Group common stock to the SI Financial Group Stock Fund. However, transfer directions are subject to subscription rights, purchase priorities and purchase limitations. If you are eligible to order shares in the subscription offering, your order will be filled in the following order of priority:

1. Persons with $50 or more on deposit at Savings Institute as of June 30, 2009;
2. The Savings Institute Bank and Trust Company Employee Stock Ownership Plan;
3. Persons with $50 or more on deposit at Savings Institute as of September 30, 2010 who are not in category 1 above; and
4. Except for persons eligible to subscribe for shares under categories 1 and 3, Savings Institute depositors as of the close of business on , 2010, who were not able to subscribe for shares of new SI Financial Group common stock under categories 1 and 3.

To the extent shares remain available after filling orders in the subscription offering, shares will be available in a community offering to natural persons residing in Hartford, Middlesex, New London, Tolland and Windham Counties in Connecticut, to our existing public shareholders and to the general public.

The limitation of the total amount of new SI Financial Group common stock that you may purchase in the Stock offering, as described in the prospectus (see *The Conversion and Offering Limitations on Purchases of Shares*), will be calculated based on the aggregate amount that you subscribed for: (1) through your Savings Plan account; and (2) through

your sources of funds outside of the Savings Plan by placing an order in the stock offering using a Stock Order Form. Whether you place an order through the Savings Plan, outside the plan or both, the number of shares of new SI Financial Group common stock, if any, that you receive will be determined based on the total number of subscriptions, your purchase priority and the allocation priorities set forth in the attached prospectus. If, as a result of the calculation, you are allocated insufficient shares to fill all of your orders, available shares will be allocated as described in *The Conversion and Offering Subscription Offering and Subscription Rights* in the prospectus. Available shares will be allocated between your Savings Plan order and your order outside of the Savings Plan. If you so elect, the shares of new SI Financial Group common stock you were unable to subscribe for through the Savings Plan will be purchased by the trustee on the open market immediately following the completion of the stock offering. If you elect to direct the trustee to purchase shares of new SI Financial Group common stock in the open market, you will not be able to direct the trustee as to the timing or price to be paid for the common stock. The trustee has sole discretion regarding the manner in which it will fill open market purchases.

Value of Participation Interests

As of July 31, 2010, the market value of the Savings Plan assets equaled approximately $6,887,600 (excluding those assets already invested in SI Financial Group common stock). The plan administrator has informed each participant of the value of his or her beneficial interest in the Savings Plan. The value of Savings Plan assets represents past contributions made to the Savings Plan on your behalf, plus or minus earnings or losses on the contributions, less previous withdrawals and loans.

Method of Directing Transfer

Included with this prospectus supplement is an investment form for you to use to direct a transfer of funds to the SI Financial Group Stock Fund (the Investment Form). If you wish to transfer all, or part, in multiples of not less than 5%, of your beneficial interest in the assets of the Savings Plan to the SI Financial Group Stock Fund, you should complete the Investment Form. If you do not wish to make such an election at this time, you do not need to take any action. The minimum investment in the SI Financial Group Stock Fund during the stock offering is $200.00.

Time for Directing Transfer

You must submit your direction to transfer amounts to the SI Financial Group Stock Fund in connection with the stock offering by the deadline of 5:00 p.m. on , 2010. You should return the Investment Form to ***Laurie Gervais*** in the Human Resources Department. Former Savings Institute employees who are participants in the Savings Plan should return their forms using the business reply envelope that has been provided with this prospectus supplement.

If you have any questions regarding the SI Financial Group Stock Fund or completing the Investment Form, please contact Laurie Gervais at ( ) - .

Questions about the stock offering or about the prospectus should be directed to the Stock Information Center, toll-free at ( ) - .

Irrevocability of Transfer Direction

Once you submit your Investment Form, you cannot change your direction to transfer amounts credited to your account in the Savings Plan to the SI Financial Group Stock Fund before the completion of the stock offering. Following the closing of the stock offering and the initial purchase of shares of SI Financial Group common stock through the SI Financial Group Stock Fund, you may change your investment directions, in accordance with the terms of the Savings Plan.

Purchase Price of New Shares of SI Financial Group Common Stock

The SI Financial Group Stock Fund Trustee will pay the same price for shares of new SI Financial Group common stock as all other persons who purchase shares of new SI Financial Group common stock in the stock offering. If there is not enough common stock in the Stock offering to fill all subscriptions, the common stock will be apportioned and the trustee may not be able to purchase all of the common stock you requested. **If you elect, the SI Financial Group Stock Fund Trustee will purchase shares on your behalf after the close of the stock offering in the open market, to fulfill your initial request. The trustee may make such purchases at prices higher or lower than the $8.00 offering price.**

2

Table of Contents

Nature of a Participant s Interest in New Shares of SI Financial Group Common Stock

The trustee will hold SI Financial Group common stock in the name of the Savings Plan. The trustee will credit shares of common stock acquired at your direction to your account under the Savings Plan. Therefore, the investment designations of other Savings Plan participants should not affect earnings on your Savings Plan account.

Voting and Tender Rights of New Shares of SI Financial Group Common Stock

The SI Financial Group Stock Fund Trustee generally will exercise voting and tender rights attributable to all SI Financial Group common stock held by the SI Financial Group Stock Fund, as directed by participants with interests in the SI Financial Group Stock Fund. With respect to each matter as to which holders of SI Financial Group common stock have a right to vote, you will have voting instruction rights that reflect your proportionate interest in the SI Financial Group Stock Fund. The number of shares of SI Financial Group common stock held in the SI Financial Group Stock Fund voted for and against each matter will be proportionate to the number of voting instruction rights exercised. If there is a tender offer for SI Financial Group common stock, the Savings Plan allots each participant a number of tender instruction rights reflecting the participant s proportionate interest in the SI Financial Group Stock Fund. The percentage of shares of SI Financial Group common stock held in the SI Financial Group Stock Fund that will be tendered will be the same as the percentage of the total number of tender instruction rights exercised in favor of the tender offer. The remaining shares of SI Financial Group common stock held in the SI Financial Group Stock Fund will not be tendered. The Savings Plan provides that participants will exercise their voting instruction rights and tender instruction rights on a confidential basis.

DESCRIPTION OF THE SAVINGS PLAN

Introduction

Savings Institute adopted the Savings Plan effective January 1, 1990. The Savings Plan was subsequently amended and restated in its entirety effective , 2010. Savings Institute intends for the Savings Plan to comply, in form and in operation, with all applicable provisions of the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, as amended, or ERISA. Savings Institute may change the Savings Plan from time to time to ensure continued compliance with these laws. Savings Institute may also amend the Savings Plan from time to time to add, modify, or eliminate certain features of the plan, as it sees fit. Federal law provides you with various rights and protections as a participant in the Savings Plan, which is governed by ERISA. However, the Pension Benefit Guaranty Corporation does not guarantee your benefits under the Savings Plan.

Reference to Full Text of the Plan. The following portions of this prospectus supplement summarize the material provisions of the Savings Plan. Savings Institute qualifies this summary in its entirety by reference to the full text of the Savings Plan. You may obtain copies of the full Savings Plan document including any amendments to the plan and a summary plan description for the Savings Plan, by contacting Laurie Gervais in the Human Resources Department. You should carefully read the Savings Plan documents to understand your rights and obligations under the plan.

Eligibility and Participation

Eligible employees of Savings Institute who have attained age 21 and completed 90 days of employment with Savings Institute may begin to make pre-tax salary deferrals into the Savings Plan as of the first day of the month after they have satisfied the eligibility requirements.

As of July 31, 2010, 205 of the 252 eligible employees of Savings Institute participated in the Savings Plan.

Contributions Under the Savings Plan

Employee Pre-Tax Salary Deferrals. Subject to certain Internal Revenue Service limitations, the Savings Plan permits each participant to make pre-tax salary deferrals to the Savings Plan each payroll period of up to 100% of the participant s pay. For purposes of the Savings Plan, a participant s pay is defined as a participant s base salary, commissions, overtime and bonuses. Participants may change their rate of pre-tax deferrals on a quarterly basis by completing a form and submitting it to the Human Resources Department.

3

Table of Contents

Savings Institute Matching Contributions. The Savings Plan provides that Savings Institute will make matching contributions on behalf of each participant equal to 50% of the participant s deferral, up to a maximum of 6% of pay. Savings Institute makes matching contributions only for those participants who make pre-tax salary deferrals to the Savings Plan. If a participant stops making pre-tax salary deferrals to the Savings Plan, Savings Institute will cease its matching contributions on the participant s behalf.

Savings Institute Discretionary Contributions. Savings Institute, in its sole discretion, may also make additional discretionary contributions, in amounts specified by the Board of Directors of Savings Institute. These discretionary contributions are allocated to each participant in the Savings Plan who is actively employed by Savings Institute on the last business day of the Plan Year and has completed 1,000 hours of service for Savings Institute during the Plan Year.

Rollover Contributions. Savings Institute allows employees who receive a distribution from a previous employer s tax-qualified employee benefit plan to deposit that distribution into a Rollover Contribution account under the Savings Plan, provided the rollover contribution satisfies IRS requirements.

Limitations on Contributions

Limitation on Employee Salary Deferrals. Although the Savings Plan permits you to defer up to 100% of your pay, by law your total deferrals under the Savings Plan, together with similar plans, may not exceed $16,500 for 2010. Employees who are age 50 and over may also make additional, catch-up contributions to the plan, up to a maximum of $5,500 for 2010. The Internal Revenue Service periodically increases these limitations. A participant who exceeds these limitations must include any excess deferrals in gross income for federal income tax purposes in the year of deferral. In addition, the participant must pay federal income taxes on any excess deferrals when distributed by the Savings Plan to the participant, unless the plan distributes the excess deferrals and any related income no later than the first April 15th following the close of the taxable year in which the participant made the excess deferrals. Any income on excess deferrals distributed before such date is treated, for federal income tax purposes, as earned and received by the participant in the taxable year of the distribution.

Limitation on Annual Additions and Benefits. As required by the Internal Revenue Code, the Savings Plan provides that the total amount of contributions and forfeitures (annual additions) credited to a participant during any year under all defined contribution plans of Savings Institute (including the Savings Plan and the proposed Savings Institute Bank and Trust Company Employee Stock Ownership Plan) may not exceed the lesser of 100% of the participant s annual compensation or $49,000 for 2010.

Limitation on Plan Contributions for Highly Compensated Employees. Special provisions of the Internal Revenue Code limit the amount of pre-tax and matching contributions that may be made to the Savings Plan in any year on behalf of highly compensated employees, in relation to the amount of pre-tax and matching contributions made by or on behalf of all other employees eligible to participate in the Savings Plan. If pre-tax and matching contributions exceed these limitations, the plan must adjust the contribution levels for highly compensated employees.

In general, a highly compensated employee includes any employee who (1) was a 5% owner of the sponsoring employer at any time during the year or the preceding year, or (2) had compensation for the preceding year in excess of $110,000 and, if the sponsoring employer so elects, was in the top 20% of employees by compensation for such year. The preceding dollar amount applies for 2010, and may be adjusted periodically by the Internal Revenue Service.

Top-Heavy Plan Requirements. If the Savings Plan is a Top-Heavy Plan for any calendar year, Savings Institute may be required to make certain contributions to the Savings Plan on behalf of non-key employees. In general, the Savings Plan will be treated as a Top-Heavy Plan for any calendar year if, as of the last day of the preceding calendar year, the aggregate balance of the accounts of Key Employees exceeds 60% of the aggregate balance of the accounts of all employees under the plan. A Key Employee is generally any employee who, at any time during the calendar year or any of the four preceding years, is:

(1) an officer of Savings Institute whose annual compensation exceeds $160,000;

(2) a 5% owner of the employer, meaning an employee who owns more than 5% of the outstanding stock of SI Financial Group, or who owns stock that possesses more than 5% of the total combined voting power of all stock of SI Financial Group; or

Table of Contents

(3) a 1% owner of the employer, meaning an employee who owns more than 1% of the outstanding stock of SI Financial Group, or who owns stock that possesses more than 1% of the total combined voting power of all stock of SI Financial Group, *and* whose annual compensation exceeds $150,000.

The foregoing dollar amounts are for 2010.

Savings Plan Investments

Assets in the Savings Plan Trust are currently invested in the funds specified below. The annual percentage return on these funds (net of fees) for the prior three years was:

Funds	2009	2008	2007
Columbia Acorn Select Z Fund	66.17%	-49.18%	9.20%
Harbor Bond Institutional Fund	13.84	3.34	8.69
Vanguard Total Bond Market Index Fund	5.93	5.05	6.92
Vanguard Inflation-Protected Securities Fund	10.80	-2.85	11.59
Harbor International Institutional Fund	38.57	-42.66	21.82
Davis New York Venture Y Fund	32.43	-39.85	5.24
Fidelity Capital Appreciation Fund	36.38	-40.50	6.86
Perkins Mid Cap Value T Fund	30.37	-27.33	7.43
Vanguard Small Cap Value Index Fund	30.34	-32.05	-7.07
Vanguard Target Retirement Income Fund	14.28	-10.93	8.17
Vanguard Target Retirement 2010 Fund	19.32	-20.67	7.70
Vanguard Target Retirement 2015 Fund	21.30	-24.06	7.55
Vanguard Target Retirement 2020 Fund	23.10	-27.04	7.52
Vanguard Target Retirement 2025 Fund	24.81	-30.05	7.59
Vanguard Target Retirement 2030 Fund	26.72	-32.91	7.49
Vanguard Target Retirement 2035 Fund	28.17	-34.66	7.49
Vanguard Target Retirement 2040 Fund	28.32	-34.53	7.48
Vanguard Target Retirement 2045 Fund	28.15	-34.56	7.47
Vanguard Target Retirement 2050 Fund	28.31	-34.62	7.49
Federal US Treasury Cash Reinvestment Fund	-0.02	-1.48	-4.46
Northern Trust Government Money Market Fund	-0.07	-2.00	-4.87
SI Financial Group Stock Fund	-12.50	-37.40	-18.50

Columbia Acorn Select Z Fund. This fund seeks long-term capital growth. The fund normally invests in companies with market capitalizations under $20 billion at the time of initial purchase. It may invest up to 33% of total assets in companies in developed markets (i.e., Japan, Canada and the U. K.) and emerging markets (i.e., China, Brazil and India).

Harbor Bond Institutional Fund. This fund seeks total return. The fund invests at least 80% of total assets in a diversified portfolio of bonds, which include all types of fixed-income securities. It primarily invests intermediate bonds with overall portfolio rated high quality. The fund may invest up to 30% of total assets in non-U.S. dollar-denominated securities. It also may invest up to 15% of total assets in securities of issuers based in countries with developing (or emerging markets) economies.

Vanguard Total Bond Market Index Fund. This fund seeks to track the performance of a broad, market-weighted bond index. The fund employs a passive management, or indexing investment approach designed to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. It invests by sampling the index. It invests at least 80% of assets in bonds held in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index, ranging between 5 and 10 years.

Vanguard Inflation-Protected Securities Fund. This fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities. The fund invests at least 80% of assets in inflation-indexed bonds issued by the U.S. government. It may invest in bonds of any maturity, though the fund typically maintains a dollar-weighted average maturity of 7 to 20 years.

Harbor International Institutional Fund This fund seeks long-term total return, principally from growth of capital. The fund invests primarily (no less than 65% of total assets) in common and preferred stocks of foreign companies that have

Table of Contents

market capitalizations in excess of $1 billion, including those located in emerging market countries. It invests in a minimum of 10 countries throughout the world. The fund focuses on companies located in Europe, the Pacific Basin and emerging industrialized countries whose economies and political regimes appear more stable.

Davis New York Venture Y Fund. This fund seeks long-term growth of capital. The fund invests the majority of the assets in equity securities issued by large companies with market capitalizations of at least $10 billion. It has the flexibility to invest a limited portion of assets in companies of any size, to invest in companies whose shares may be subject to controversy, to invest in foreign securities, and to invest in non-equity securities.

Fidelity Capital Appreciation Fund. This fund seeks capital appreciation. The fund invests primarily in common stocks of domestic and foreign issuers. It may invest in either growth stocks or value stocks or both. The fund uses fundamental analysis of each issuer s financial condition and industry position and market and economic conditions to select instruments.

Perkins Mid Cap Value T Fund. This fund seeks capital appreciation. The fund primarily invests in the common stocks of mid-sized companies whose stock prices the portfolio managers believe to be undervalued. It normally invests at least 80% of assets in equity securities of companies whose market capitalization falls, at the time of purchase, within the 12-month average of the capitalization range of the Russell Midcap Value index. The fund may invest in foreign equity and debt securities, which may include investments in emerging markets. It can also invest assets in derivatives.

Vanguard Small Cap Value Index Fund. This fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization value stocks. The fund employs a passive management investment approach designed to track the performance of the MSCI US Small Cap Value index, a broadly diversified index of value stocks of smaller U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Vanguard Target Retirement Income Fund. The investment seeks current income and some capital appreciation. The fund invests in other Vanguard mutual funds according to an asset allocation designed for investors currently in retirement. It allocates approximately 70% of assets to bonds and money market instruments, and 30% of assets to stocks.

Vanguard Target Retirement 2010 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2010. The fund invests approximately 51% of assets in stocks and 49% in bonds.

Vanguard Target Retirement 2015 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation designed for investors planning to retire within a few years of 2015. It typically allocates approximately 61% of assets to stocks, and 39% to bonds.

Vanguard Target Retirement 2020 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2020. It allocates approximately 69% of assets to stocks and 31% to bonds.

Vanguard Target Retirement 2025 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire within a few years of 2025. It allocates approximately 76% of assets to stocks and 24% to bonds.

Vanguard Target Retirement 2030 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2030. It allocates approximately 84% of assets to stocks and 16% to bonds.

Vanguard Target Retirement 2035 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire within a few years of 2035. It allocates approximately 90% of assets to stocks and 10% to bonds.

Vanguard Target Retirement 2040 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2040. It allocates approximately 90% of assets to stocks and 10% to bonds.

Vanguard Target Retirement 2045 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire within a few years of 2045. It allocates approximately 90% of assets to stocks and 10% to bonds.

Vanguard Target Retirement 2050 Fund. This fund seeks to provide growth of capital and current income. The fund primarily invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2050. It allocates approximately 90% of assets to stocks and 10% to bonds.

Federal US Treasury Cash Reinvestment Fund. This money market fund seeks current income consistent with stability of principal and liquidity by investing only in short-term U.S. Treasury securities.

Northern Trust Government Money Market Fund. The fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments. This fund seeks to maintain a stable net asset value of $1.00 per share.

The SI Financial Group Stock Fund. This fund consists of investments in the common stock of SI Financial Group and a small amount of cash. Each participant s proportionate undivided beneficial interest in the SI Financial Group Stock Fund is measured by units. The daily unit value is calculated by determining the market value of the common stock held and adding to that any cash held by the trustee. This total will be divided by the number of units outstanding to determine the unit value of the SI Financial Group Stock Fund.

If cash dividends are paid on SI Financial Group common stock, the Savings Plan trustee will, to the extent practicable, use the dividends held in the SI Financial Group Stock Fund to purchase shares of the common stock. Pending investment in the common stock, assets held in the SI Financial Group Stock Fund will be placed in short-term investments. ***The SI Financial Group Stock Fund is a single stock mutual fund and carries more investment risk than a typical mutual fund, which invests in more than one security.***

Benefits Under the Savings Plan

Vesting. All participants are 100% vested in their pre-tax salary deferral and matching contribution account balances in the Savings Plan. This means that participants have a non-forfeitable right to these funds and any earnings on the funds at all times. Plan participants vest in their discretionary (profit sharing) contributions (if any) at a rate of 25% after the first two years of employment and 25% each additional year thereafter.

Withdrawals and Distributions From the Savings Plan

Withdrawals Before Termination of Employment. You may receive in-service distributions from the Savings Plan under limited circumstances in the form of hardship withdrawals and participant loans.

To qualify for a hardship withdrawal, you must have an immediate and substantial need to meet certain expenses and have no other reasonably available resources to meet the financial need. If you qualify for a hardship distribution, the trustee will make the distribution proportionately from the investment funds in which you have invested your account balances.

Participant loans are approved by the Savings Plan Administrator. If you qualify for a participant loan, the trustee will make a distribution proportionately from the investment funds in which you have invested your account balances. You may obtain information on the participant loan program from the Human Resources Department at Savings Institute.

Distribution Upon Retirement or Disability. The standard form of benefit upon retirement or disability is a lump sum payment. However, if the value of a participant s accounts under the Savings Plan exceeds $1,000, the participant may elect to defer the lump sum payment until after retirement. However, the Internal Revenue Service requires that participants receive at least a portion of their plan accounts by the April 1st of the calendar year following the calendar year in which they retire (or terminate service due to a disability) or the calendar year in which they reach age 70 $^1/2$. Participants may also choose to roll over all or a portion of their plan accounts to an Individual Retirement Account (IRA), or to another employer s qualified plan, if the other employer s plan permits rollover contributions.

Distribution Upon Death. A participant s designated beneficiary will receive the full value of a participant s accounts under the Savings Plan upon the participant s death. If the participant did not make a valid election regarding the form of payment prior to death, the beneficiary will receive a lump sum payment as soon as administratively possible. If the

Table of Contents

participant made a valid payment election, or was otherwise scheduled to receive a deferred lump sum payment, the beneficiary will generally receive a lump sum payment on the date elected by the participant. Under certain circumstances, however, payment may be made on an earlier date.

Distribution Upon Termination for Any Other Reason. If your Savings Plan accounts total $1,000 or less, you will receive a lump sum payment as soon as administratively possible after your termination of employment. If the value of your Savings Plan accounts exceed $1,000, you will receive a lump sum payment on your normal retirement date. However, you may elect to receive the value of your vested Savings Plan accounts in a lump sum payment prior to your normal retirement date. You may also request that the trustee transfer the value of your accounts to an Individual Retirement Account (IRA) or to another employer s qualified plan, if the other employer s plan permits rollover contributions.

Nonalienation of Benefits. Except with respect to federal income tax withholding, and as provided for under a qualified domestic relations order, benefits payable under the Savings Plan will not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any rights to benefits payable under the Savings Plan will be void.

Applicable federal tax law requires the Savings Plan to impose substantial restrictions on your right to withdraw amounts held under the plan before your termination of employment with Savings Institute. Federal law may also impose an excise tax on withdrawals from the Savings Plan before you attain 59 $^{1}/2$ years of age, regardless of whether the withdrawal occurs during your employment with Savings Institute or after termination of employment.

ADMINISTRATION OF THE SAVINGS PLAN

Trustee

The trustee of the Savings Plan is the named fiduciary of the Savings Plan for ERISA. The board of directors of Savings Institute appoints the trustee to serve at its pleasure. The board of directors has appointed First Bankers Trust Services, Inc. as the trustee for the SI Financial Group Stock Fund. The Trust Department at Savings Institute is the trustee for all other assets in the Savings Plan.

The trustee receives, holds and invests the contributions to the Savings Plan in trust and distributes them to participants and beneficiaries in accordance with the terms of the Savings Plan and the directions of the plan administrator. The trustee is responsible for the investment of the trust assets, as directed by the participants.

Reports to Savings Plan Participants

The Plan trustee furnishes participants quarterly statements that show the balance in their accounts as of the statement date, contributions made to their accounts during that period and any additional adjustments required to reflect earnings or losses.

Plan Administrator

Savings Institute currently acts as plan administrator for the Savings Plan. The plan administrator handles the following administrative functions: interpreting the provisions of the plan, prescribing procedures for filing applications for benefits, preparing and distributing information explaining the plan, maintaining plan records, books of account and all other data necessary for the proper administration of the plan, preparing and filing all returns and reports required by the U.S. Department of Labor and the Internal Revenue Service and making all required disclosures to participants, beneficiaries and others under ERISA.

Amendment and Termination

Savings Institute expects to continue the Savings Plan indefinitely. Nevertheless, Savings Institute may terminate the Savings Plan at any time. If Savings Institute terminates the Savings Plan in whole or in part, all affected participants become fully vested in their accounts, regardless of other provisions of the Savings Plan. Savings Institute reserves the right to make, from time to time, changes which do not cause any part of the trust to be used for, or diverted to, any purpose other than the exclusive benefit of participants or their beneficiaries. Savings Institute may amend the plan, however, as necessary or desirable, in order to comply with ERISA or the Internal Revenue Code.

Merger, Consolidation or Transfer

If the Savings Plan merges or consolidates with another plan or transfers the trust assets to another plan, and either the Savings Plan or the other plan is subsee to comply with applicable regulations could result in project delays, cost overruns, remediation costs, substantial fines and/or revocation of our operating licenses.

Environmental Matters

As a result of our current and past operations, we are subject to numerous environmental laws and regulations governing our operations, including the use, transport 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 certain of these laws and regulations, such liabilities can be imposed for cleanup of previously owned or operated properties, or properties to which hazardous substances or wastes were discharged 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 otherwise use our properties in certain ways such as collateral for possible financing. We could also be held liable for significant penalties and damages under certain environmental laws and regulations, which could materially and adversely affect our business and results of operations.

We believe that we are in substantial compliance with environmental laws and regulations and that any obligations related to environmental matters should not have a material effect on our financial condition, results of operations and cash flows.

Additionally, there are significant environmental regulations under consideration to encourage the use of clean energy technologies and regulate emissions of greenhouse gases to address climate change. We regularly monitor the various proposals in this regard. Although the impact of climate change regulations on our business will depend on the specifics of governmental policies, legislation, and regulation, we believe that we will be well-positioned to adapt our business to meet new regulations. See Item 1A. Risk Factors-We are subject to risks associated with climate change and Item 1A. Risk Factors-Our failure to comply with environmental and other laws and regulations could result in significant liabilities.

Cyclical Nature of Business and Seasonality

The demand for construction and maintenance services from our customers is cyclical in nature and vulnerable to downturns in the industries we serve as well as the economy in general. As a result, our volume of business could be adversely affected by declines or delays in new projects in various geographic regions.

Although our revenues are primarily driven by spending patterns in our customers industries, our revenues and results of operations can be subject to seasonal and other variations. These variations are influenced by weather, daylight hours, availability of system outages from utilities and holidays. For example, during the winter months, demand for our T&D work may be high, but our work can be delayed due to inclement weather. During the summer months, the demand for our T&D work may be affected by fewer

available system outages during which we can perform electrical line service work due to peak electrical demands caused by warmer weather conditions. During the spring and fall months, the demand for our T&D work may increase due to improved weather conditions and system availability; however, extended periods of rain and other severe weather can affect the deployment of our crews and the efficiency of our operations.

Employees

We seek to attract and retain highly qualified craft employees by providing a superior work environment through our emphasis on safety, our competitive compensation, and our high quality fleet of equipment. The number of individuals we employ varies significantly throughout the year, typically with lower staffing levels at year end and through the winter months when fewer projects are active. The number of craft employees fluctuates depending on the number and size of projects at any particular time. As of December 31, 2016, we had approximately 4,600 employees, consisting of approximately 860 salaried employees, including executive officers, district managers, project managers, superintendents, estimators, office managers, and staff and clerical personnel, and approximately 3,740 craft employees. Approximately 91% of our craft employees are members of unions, with the majority being members of the International Brotherhood of Electrical Workers (IBEW), who are represented by many local unions under agreements with generally uniform terms and varying expiration dates. We generally are not direct parties to such local agreements, but instead these agreements are entered into by and between the IBEW local unions and the National Electrical Contractors Association (NECA), of which we are a member. NECA negotiates the terms of these agreements on our behalf. On occasion we will also employ individuals who are members of other trade unions pursuant to multi-employer, multi-union project agreements.

Executive Officers

Name	Age on March 9, 2017	Position
Richard S. Swartz, Jr.	53	President and Chief Executive Officer
Betty R. Johnson	58	Senior Vice President, Chief Financial Officer and Treasurer
William A. Koertner	67	Executive Chairman of the Board of Directors
Tod M. Cooper	52	Senior Vice President, Chief Operating Officer T&D
Gerald B. Engen, Jr.	66	Senior Vice President, Chief Legal Officer and Secretary
Jeffrey J. Waneka	55	Senior Vice President, Chief Operating Officer C&I

Richard S. Swartz, Jr. was appointed president and chief executive officer on January 1, 2017. Prior to his current role, he served as executive vice president and chief operating officer since September 2016 and as senior vice president and chief operating officer from May 2011 to September 2016. Mr. Swartz served as senior vice president from August 2009 to May 2011, and as a group vice president from 2004 to 2009. Prior to becoming a group vice president, Mr. Swartz served as vice president of our transmission & distribution central division from 2002 to 2004. Mr. Swartz has held a number of additional positions since he joined us in 1982, including project foreman, superintendent, project manager and district manager.

Betty R. Johnson joined us as senior vice president, chief financial officer and treasurer on October 19, 2015. Prior to joining us, Ms. Johnson served as the chief financial officer of Faith Technologies, Inc., a privately held electrical, engineering and technology systems contractor. From 2009 to 2014, Ms. Johnson served as the vice president of global finance and chief financial officer of Sloan Valve Company. Prior to this, Ms. Johnson was executive vice president and chief financial officer with Block and Company, Inc. from 2003 to 2009. From 1999 to 2003 she served as the Vice President-Operations/Finance with Encompass Services Corporation. Ms. Johnson served as our controller from 1992 to 1998 and vice president and controller from 1998 to 1999. Ms. Johnson served as a member of our board of directors from 2007 until accepting her current position with us.

William A. Koertner stepped down as president and chief executive officer effective January 1, 2017. He continues his role as executive chairman of the board. Mr. Koertner served as chairman of the board since 2007 and president and chief executive officer from 2003 to the end of 2016. Mr. Koertner joined us as senior vice president, treasurer and chief financial officer in 1998. Prior to joining us, Mr. Koertner served as vice president at Central Illinois Public Service Company from 1989 until 1998.

8

TABLE OF CONTENTS

Tod M. Cooper was appointed senior vice president and chief operating officer T&D on January 1, 2017. Prior to his current role, he served as senior vice president since August 2013. Mr. Cooper served as group vice president, east from 2009 to 2013 and vice president T&D, east from 2006 to 2009. Mr. Cooper has held a number of additional positions since joining us in 1989, including business development manager, regional manager, district manager, and estimator.

Gerald B. Engen, Jr. has served as senior vice president, chief legal officer and secretary since August 2009. From November 2002 to August 2009, Mr. Engen served as vice president, chief legal officer and secretary. Mr. Engen joined us as an assistant general counsel in September 2000 from Wells, Love & Scoby, LLC, a law firm specializing in construction law.

Jeffrey J. Waneka was appointed senior vice president and chief operating officer C&I on January 1, 2017. Prior to his current role, he served as president of a subsidiary company, Sturgeon Electric Company, Inc., since February 2015. Mr. Waneka served as group vice president, C&I from 2014 to 2015 and vice president, C&I from 2009 to 2014. Mr. Waneka has held a number of additional positions since joining the Company in 1991, including regional manager, director business development and district manager.

TABLE OF CONTENTS

Item 1A. Risk Factors

RISK FACTORS

You should read the following risk factors carefully in connection with evaluating our business and the forward-looking information contained in this annual report on Form 10-K. We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could affect our operations. The risks described below highlight some of the factors that have affected, and in the future could affect, our operations. Additional risks we do not yet know of, or that we currently think are immaterial, may also affect our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be affected and our stock price could decline.

Our operating results may vary significantly from period to period.

Our business can be highly cyclical and subject to seasonal and other variations that can result in significant differences in operating results from period to period. Additionally, our results may be materially and adversely affected by:

- the timing and volume of work under contract;
- increased competition and changes in the competitive marketplace for our services;
- the spending patterns of customers and governments;
- safety performance and reputation;
- the amount of subcontractor and material costs in our projects;
- decreased equipment utilization;
- permitting, regulatory or customer-caused delays on projects;
- disputes with customers relating to payment terms under our contracts and change orders, and our ability to successfully negotiate and obtain payment or reimbursement under our contracts and change orders;
- variations in the margins of projects performed during any particular reporting period;
- a change in the demand for our services;
- increased costs of performance of our services caused by adverse weather conditions;
- increases in design and construction costs that we are unable to pass through to our customers;
- the termination or expiration of existing agreements;
- regional and general economic conditions and the condition of the financial markets;
- losses experienced in our operations not otherwise covered by insurance;
- a change in the mix of our customers, contracts and business;
- payment risk associated with the financial condition of our customers;
- cost overruns on fixed-price and unit-price contracts;
- availability of qualified labor for specific projects;
- significant fluctuations in foreign currency exchange rates;
- changes in bonding requirements applicable to existing and new agreements;
- costs we incur to support growth internally or otherwise;
- changes in accounting pronouncements that require us to account for items differently than historical pronouncements;

10

TABLE OF CONTENTS

- the timing and integration of acquisitions and the magnitude of the related acquisition and integration costs;
- costs associated with our multi-employer pension plan obligations;
- the availability of equipment;
- costs associated with responding to actions of activist stockholders;
- impairment of goodwill or intangible assets; and
- warranty claims.

Accordingly, our operating results in any particular reporting period may not be indicative of the results that can be expected for any other reporting period.

Our industry is highly competitive. Increased competition can place downward pressure on contract prices and profit margins and may limit the number of projects that we are awarded.

Our industry is fragmented and we compete with other companies, ranging from small, independent firms servicing local markets to larger firms servicing regional, national and international markets. Relatively few barriers prevent entry into the C&I market and the distribution market. As a result, any organization that has adequate financial resources and access to technical expertise may become one of our competitors in those areas. Competition in the industry depends on a number of factors, including price. Some of our competitors, including our competitors in the transmission market, may have lower labor and overhead cost structures and, therefore, may be able to provide their services at lower prices than ours. In addition, some of our competitors may have greater financial, technological and human resources than we do. We cannot be certain that our competitors will not develop the expertise, experience and resources to provide services that are superior in both price and quality to our services. Similarly, we cannot be certain that we will be able to maintain or enhance our competitive position within the markets we serve or maintain our customer base at current levels. We also may face competition from in-house service organizations of our existing or prospective customers. Electric utility companies often employ personnel to internally perform some of the same types of services we do. If we are unable to compete successfully in our markets, our operating results could be adversely affected.

We may be unsuccessful in generating internal growth, which could impact the projects available to the Company.

Our ability to generate internal growth will 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 new projects;
- expand geographically; and
- adapt the range of services we offer to customers to address their evolving construction needs.

In addition, if our customers are constrained in their ability to obtain capital, it could reduce the number, timing or size of projects available to us. 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.

We may incur liabilities and suffer negative financial or reputational impacts relating to occupational 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

TABLE OF CONTENTS

be no assurance that we will avoid significant liability exposure. Our business is subject to numerous safety risks, including electrocutions, fires, explosions, mechanical failures, weather-related incidents, transportation accidents and damage to equipment. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment and other consequential damages and could lead to suspension of operations, large monetary claims and, in extreme cases, criminal liability. We have suffered serious injuries and fatalities in the past and may suffer additional serious injuries and fatalities in the future. Monetary claims for damages to persons, including claims for bodily injury or loss of life, could result in substantial costs and liabilities. In addition, we have in the past, and we may in the future, be subject to criminal penalties relating to occupational health and safety violations, which have resulted in and could in the future result in substantial costs and liabilities. Any of the foregoing could result in financial loss, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Our customers seek to minimize safety risks on their sites, and they frequently review the safety records of outside contractors during the bidding process. If our safety record were to substantially deteriorate, we could become ineligible to bid on certain work, and our customers could cancel our contracts and not award us future business.

Negative economic and market conditions, as well as regulatory and environmental requirements, may adversely impact our customers future spending and, as a result, our operations and growth.

The demand for infrastructure construction and maintenance services from our customers has been, and will likely continue to be, cyclical in nature and vulnerable to downturns in the industries we serve as well as the economy in general. Stagnant or declining economic conditions have adversely impacted the demand for our services in the past and resulted in the delay, reduction or cancellation of certain projects and may adversely affect us in the future. Unfavorable economic conditions could also cause our customers to outsource less work. Additionally, many of our customers finance their projects through the incurrence of debt or the issuance of equity. A reduction in cash flow or the lack of availability of debt or equity financing may result in a reduction in our customers spending for our services and may also impact the ability of our customers to pay amounts owed to us, which could have a material adverse effect on our operations and our ability to grow at historical levels. A prolonged economic downturn or recession could adversely affect our customers and their ability or willingness to fund capital expenditures in the future or pay for past services. Material fluctuations in energy markets could have an adverse impact on our customers spending patterns. Consolidation, competition, capital constraints or negative economic conditions in the electric power industry may also result in reduced spending by, or the loss of, one or more of our customers.

Because the vast majority of our T&D revenue is derived from the electric utility industry, regulatory and environmental requirements affecting that industry could adversely affect our results of operations. Customers in the electric utility industry we serve face stringent regulatory and environmental requirements, as well as permitting processes, as they implement plans for their projects, which may result in delays, reductions and cancellations of some of their projects. These regulatory factors have resulted in decreased demand for our services in the past, and they may do so in the future, potentially impacting our operations and our ability to grow at historical levels.

Project performance issues, including those caused by third parties, or certain contractual obligations may result in additional costs to us, reductions or delays in revenues or the payment of penalties, including liquidated damages.

Many projects involve challenging engineering, procurement and construction phases that may occur over several years. We may encounter difficulties that impact our ability to complete the project in accordance with the original delivery schedule. These difficulties may be the result of delays in designs, engineering information or materials provided by the customer or a third party, delays or difficulties in equipment and material delivery, schedule changes, delays from our customer s failure to timely obtain permits or rights-of-way or meet other regulatory requirements, weather-related delays, delays caused by difficult worksite environments, delays caused by inefficiencies and not achieving expected labor performance, and other factors, some of which are beyond our control. In addition, for some projects we contract with third-party subcontractors to assist us with the completion of contracts. Any delay or failure by suppliers or by subcontractors in the completion of their portion of the project may result in delays in the overall progress

12

of the project or may cause us to incur additional costs, or both. We also may encounter project delays due to local opposition, which may include injunctive actions as well as public protests, to the siting of electric transmission lines, renewable energy projects, or other facilities. We may not be able to recover the costs we incur that are caused by delays. In certain circumstances, we guarantee project completion by a scheduled acceptance date or achievement of certain acceptance and performance testing levels. Failure to meet any of our schedules or performance requirements could also result in additional costs or penalties, including liquidated damages, and such amounts could exceed expected project profit. In extreme cases, the above-mentioned factors could cause project cancellations, and we may not be able to replace such projects with similar projects or at all. Such delays or cancellations may impact our reputation or relationships with customers, adversely affecting our ability to secure new contracts.

Our customers may change or delay various elements of the project after its commencement. The design, engineering information, equipment or materials that are to be provided by the customer or other parties may be deficient or delivered later than required by the project schedule, resulting in additional direct or indirect costs. Under these circumstances, we generally negotiate with the customer with respect to the amount of additional time required and the compensation to be paid to us. We are subject to the risk that we may be unable to obtain, through negotiation, arbitration, litigation or otherwise, adequate amounts to compensate us for the additional work or expenses incurred by us due to customer-requested change orders or failure by the customer to timely deliver items, such as engineering drawings or materials. Litigation or arbitration of claims for compensation may be lengthy and costly, and it is often difficult to predict when and for how much the claims will be resolved. A failure to obtain adequate compensation for these matters could require us to record a reduction to amounts of revenue and gross profit recognized in prior periods under the percentage-of-completion accounting method. Any such adjustments could be substantial. We may also be required to invest significant working capital to fund cost overruns while the resolution of change orders or claims is pending, which could adversely affect our liquidity and financial results in any given period.

Our business is labor intensive and we may be unable to attract and retain qualified employees.

Our ability to maintain our productivity and our operating results 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 adequate skilled labor force necessary to operate efficiently and to support our growth strategy. We have from time-to-time experienced shortages of certain types of qualified personnel, such as engineers, project managers, field supervisors, and linemen, in certain regions. In addition, our projects are sometimes located in remote areas which can make recruitment and deployment of our employees challenging. During periods with large volumes of storm restoration services work, linemen are frequently recruited across geographic regions to satisfy demand. Many linemen are willing to travel to earn premium wages for such work, which from time-to-time makes it difficult for us to retain these workers for ongoing projects when storm conditions persist. The supply of experienced engineers, project managers, field supervisors, linemen and other skilled workers may not be sufficient to meet current or expected demand. The commencement of new, large-scale infrastructure projects or increased demand for infrastructure improvements, as well as the shrinking electric utility workforce, may reduce the pool of skilled workers available to us. Labor shortages 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 timing of new contracts and termination of existing contracts may result in unpredictable fluctuations in our cash flows and financial results.

A substantial portion of our revenues are derived from project-based work that is awarded through a competitive bid process. 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 awards 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, including our fleet of construction equipment, which could lower our overall profitability and reduce our cash flows. Even if we are awarded contracts, we face additional risks that could affect whether, or when, work will begin. This can present 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, which could impact our cash flow, expenses and profitability. If an 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 from the customer. Finally, the winding down or completion of work on significant projects that were active in previous periods will reduce our revenue and earnings if such significant projects have not been replaced in the current period.

Many of our contracts may be canceled upon short notice, typically 30 to 90 days, even if we are not in default under the contract, and we may be unsuccessful in replacing our contracts if they are canceled or as they are completed or expire. We could experience a decrease in our revenue, net income and liquidity if contracts are canceled and if we are unable to replace canceled, completed or expired contracts. Certain of our customers assign work to us on a project-by-project basis under MSAs. Under these agreements, our customers often have no obligation to assign a specific amount of work to us. Our operations could decline significantly if the anticipated volume of work is not assigned to us or is cancelled. Many of our contracts, including our MSAs, are opened to competitive bid at the expiration of their terms. There can be no assurance that we will be the successful bidder on our existing contracts that come up for re-bid.

Backlog may not be realized or may not result in profits and may not accurately represent future revenue.

Backlog is difficult to determine accurately, and companies within our industry may define backlog differently. Reductions in backlog due to cancellation, termination or scope adjustment 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, termination or scope adjustment, we typically have no contractual right to the total revenues reflected in our backlog. The timing of contract awards, duration of large new contracts and the mix of services, subcontracted work and material in our contracts can significantly affect backlog reporting. Given these factors and our method of calculating backlog, 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 and should not be viewed or relied upon as a stand-alone indicator. Consequently, we cannot provide assurance as to our customers requirements or our estimates of backlog. See Item 1. Business-Backlog for a discussion on how we calculate backlog for our business.

Our business growth could outpace the capability of our internal resources and limit our ability to support growth.

Our internal resources, including our workforce, specialized equipment and financial resources, may not be adequate to support our operations as they expand, particularly if we are awarded a significant number of large projects in a short time period. A large project may require hiring additional qualified personnel, such as engineers, project managers, field supervisors, linemen and safety personnel, the supply of which may not be sufficient to meet our demands.

Often large transmission projects require specialized equipment. 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. Furthermore, we may be unable to buy or rent the specialty equipment and tooling we require due to the limited number of manufacturers and distributors in the marketplace.

Larger projects may require substantial financial resources to meet the cash flow, bonding or letter of credit requirements imposed upon contractors by the customer. Future growth also could impose additional demands and responsibilities on members of our senior management.

Our business growth could outpace the capability of our internal resourcesand limit our ability to support growth.

TABLE OF CONTENTS

Our dependence on suppliers, subcontractors and equipment manufacturers could expose us to the risk of loss in our operations.

On certain projects, we rely on suppliers to obtain the necessary materials and subcontractors to perform portions of our services. We also rely on equipment manufacturers to provide us with the equipment required to conduct our operations. Although we are not dependent on any single supplier, subcontractor or equipment manufacturer, any substantial limitation on the availability of required suppliers, subcontractors or equipment manufacturers could negatively impact our operations. The risk of a lack of available suppliers, subcontractors or equipment manufacturers may be heightened as a result of market and economic conditions. To the extent we cannot engage subcontractors or acquire equipment or materials, we could experience losses in the performance of our operations. Additionally, successful completion of our contracts may depend on whether our subcontractors successfully fulfill their contractual obligations. If our subcontractors fail to perform their contractual obligations as a result of financial or other difficulties, or if our subcontractors fail to meet the expected completion dates or quality standards, we may be required to incur additional costs or provide additional services in order to make up such shortfall and we may suffer damage to our reputation.

Our participation in joint ventures and other projects with third parties may expose us to liability for failures of our partners.

We may enter into joint venture or other strategic arrangements with other parties as part of our business operations. Success on a jointly performed project depends in large part on whether all parties satisfy their contractual obligations. Joint venture partners are generally jointly and severally liable for all liabilities and obligations of the joint venture. If a joint venture partner fails to perform or is financially unable to bear its portion of required capital contributions or other obligations, including liabilities relating to claims or lawsuits, we could be required to make additional investments, provide additional services or pay more than our proportionate or agreed upon share of a liability to compensate for the partner s shortfall. In addition, if we are unable to adequately address our partner s performance issues, the customer may terminate the project, which could result in legal liability to us, reduce our profit on the project or damage our reputation.

Legislative or regulatory actions relating to electricity transmission and renewable energy may impact demand for our services.

Current and potential legislative or regulatory actions may impact demand for our services. Certain legislation or regulations require utilities to meet reliability standards and encourage installation of new electric transmission and renewable energy generation facilities. However, it is unclear whether these initiatives will create sufficient incentives for projects or result in increased demand for our services.

While many states have mandates in place that require specified percentages of electricity to be generated from renewable sources, states could reduce those mandates or make them optional, which could reduce, delay or eliminate renewable energy development in the affected states. Additionally, renewable energy is generally more expensive to produce and may require additional power generation sources as backup. The locations of renewable energy projects are often remote and may not be viable unless new or expanded transmission infrastructure to transport the electricity to demand centers is economically feasible. Furthermore, funding for renewable energy initiatives may not be available. These factors could result in fewer renewable energy projects and a delay in the construction of these projects and the related infrastructure, which could negatively impact our business.

Our use of percentage-of-completion accounting could result in a reduction or reversal of previously recognized profits.

As discussed in Item 7. Management s Discussion and Analysis of Financial Condition and Results from Operations Critical Accounting Policies and in the notes to our Financial Statements, a significant portion of our revenues is recognized on a percentage-of-completion method of accounting, using the cost-to-cost method. This method is used because management considers expended costs to be the best available measure of progress on these contracts. This accounting method is commonly used in the construction industry for fixed-price contracts. The percentage-of-completion accounting practice we use results in our recognizing contract revenues and earnings ratably over the contract term in proportion to our incurrence of contract costs. The earnings or losses recognized on individual contracts are based on estimates of contract revenues, costs and profitability. Contract losses are recognized in full when determined, and contract profit estimates are adjusted based on ongoing reviews of contract profitability. In addition, we record adjustments to estimated costs of contracts when we believe the change in 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.

Our actual costs may be greater than expected in performing our fixed-price and unit-price contracts.

We currently generate, and expect to continue to generate, a significant portion of our revenues and profits under fixed-price and unit-price contracts. We must estimate the costs of completing a particular project when we bid for these types of contracts. The actual cost of labor and materials, however, may vary from the costs we originally estimated and we may not be successful in recouping additional costs from our customers. These variations, along with other risks inherent in performing fixed-price and unit-price contracts, may cause actual revenue and gross profits for a project to differ from those we originally estimated and could result in reduced profitability or losses on projects due to changes in a variety of factors such as:

- failure to properly estimate costs of engineering, material, equipment or labor;
- inefficient labor performance;
- unanticipated technical problems with the materials or services being supplied by us, which may require us to incur additional costs to remedy the problem;
- project modifications that create unanticipated costs;
- changes in the costs of equipment, materials, labor or subcontractors;
- the failure of our suppliers or subcontractors to perform;
- difficulties in our customers obtaining required governmental permits or approvals;
- site conditions that differ from those assumed in the original bid (to the extent contract remedies are unavailable);
- the availability and skill level of workers in the geographic location of the project;
- an increase in the cost of fuel or other resources;
- changes in local laws and regulations;
- delays caused by local weather conditions, third parties or customers; or
- quality issues requiring rework.

Our financial results are based upon estimates and assumptions that may differ from actual results.

In preparing our financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP), estimates and assumptions are used by management in determining the reported amounts of assets and liabilities, 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 is dependent on future events, cannot be calculated with a high degree of precision from data available or is not capable of being readily calculated. In some cases, these estimates are particularly difficult to determine, and we must exercise significant judgment.

The most significant estimates we use are related to costs to complete contracts, pending change orders and claims, shared savings, insurance reserves, income tax reserves, estimates surrounding stock-based compensation, the recoverability of goodwill and intangibles, and accounts receivable reserves. We also may use estimates in our assessment of the useful lives of property and equipment, the valuation allowance on deferred taxes and the provision for income taxes. From time-to-time, we may publicly provide earnings or other forms of guidance, which reflect our predictions about future revenue, operating costs and capital

16

TABLE OF CONTENTS

structure, among other factors. These predictions may be impacted by estimates, as well as other factors that are beyond our control and may not turn out to be correct. Actual results for all estimates could differ materially from the estimates and assumptions that we use.

We maintain insurance policies with respect to automobile liability, general liability, workers compensation, and other coverages, but those policies do not cover all possible claims and are subject to certain deductible limits. We also have an employee health care benefit plan for employees not subject to collective bargaining agreements, which is subject to certain deductible limits. Insurance losses are accrued based upon our estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported. However, insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety programs, and as a result, our actual losses may exceed our estimates.

The loss of a key customer could have an adverse affect on us.

Our customer base is highly concentrated, with our top ten customers accounting for 46.4% of our revenue for the year ended December 31, 2016. Much of our success depends on developing and maintaining relationships with our major customers. Our revenue could significantly decline if we lose one or more of our significant customers. In addition, revenues generated from contracts with significant customers may vary from period-to-period depending on the timing and volume of work ordered by such customers in a given period and as a result of competition from the in-house service organizations of our customers.

Our failure to comply with environmental and other laws and regulations could result in significant liabilities.

Our past, current and future operations are subject to numerous environmental and other laws and regulations governing our operations, including the use, transport 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 certain of these laws and regulations, such liabilities can be imposed for cleanup of previously owned or operated properties, or properties to which hazardous substances or wastes were discharged 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 otherwise use our properties in ways such as collateral for possible financing. We could also be held liable for significant penalties and damages under certain environmental laws and regulations, which could materially and adversely affect our business and results of operations.

In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or leaks, or the imposition of new permitting or cleanup requirements could require us to incur significant costs or become the basis for new or increased liabilities that could harm our financial condition and results of operations. In certain instances, we have obtained indemnification or covenants from third parties (including our predecessor owners or lessors) for some or all of such cleanup and other obligations and liabilities. However, such third-party indemnities or covenants may not cover all of our costs.

Legislative and regulatory proposals related to address greenhouse gas emissions could result in a variety of regulatory programs, additional charges to fund energy efficiency activities, or other regulatory actions. Any of these actions could result in increased costs associated with our operations and impact the prices we charge our customers. If new regulations are adopted regulating greenhouse gas emissions from mobile sources such as cars and trucks, we could experience a significant increase in environmental compliance costs in light of our large fleet. In addition, if our operations are perceived to result in high greenhouse gas emissions, our reputation could suffer.

17

TABLE OF CONTENTS

In addition, we are subject to laws and regulations protecting endangered species. Laws also protect Native American artifacts and archaeological sites and a part of our business is operated in the southwestern United States, where there is a greater chance of discovering those sites. We may incur work stoppages to avoid violating these laws and regulations, or we may risk fines or other sanctions for accidentally or willfully violating these laws and regulations.

Unavailability or cancellation of third party insurance coverages would increase our overall risk exposure and could disrupt our operations.

We maintain insurance coverages from third party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. Although we maintain insurance policies with respect to automobile liability, general liability, workers compensation, our employee group health program, and other types of coverages, these policies are subject to high deductibles, and we are self-insured up to the amount of those deductibles. There can be no assurance that our current or past insurance coverages will be sufficient or effective under all circumstances or against all claims and liabilities to which we may be subject.

We renew our insurance policies on an annual basis; therefore, deductibles and levels of insurance coverages may change in future periods. There can be no assurance that any of our existing insurance coverages will be renewed upon the expiration of the coverage period or that future coverage will be affordable at the required limits. In addition, insurers may fail, cancel our coverage, determine to exclude certain items from coverage, or otherwise be unable to provide us with adequate insurance coverage. We may not be able to obtain certain types of insurance or incremental levels of insurance in scope or amount sufficient to cover liabilities we may incur.

If any of these events occurs, our overall risk exposure would increase and our operations could be disrupted. If our risk exposure increases as a result of adverse changes in our insurance coverages, we could be subject to increased claims and liabilities that could negatively affect our results of operations and financial condition.

We extend trade credit to customers for purchases of our services, and may have difficulty collecting receivables from them.

We grant trade credit, generally without collateral, to our customers for the purchase of our services. We have in the past, and may in the future, have difficulty collecting receivables from customers, particularly those experiencing financial difficulties. Our customers in the T&D segment include investor-owned utilities, cooperatives, private developers, government-funded utilities, independent power producers, independent transmission companies, industrial facility owners and other contractors. Our customers in the C&I segment include general contractors, commercial and industrial facility owners, local governments and developers located in our regional markets. Our customers also include special purpose entities that own T&D projects which do not have the financial resources of traditional transmission utility operators. Consequently, we are subject to potential credit risk related to changes in business and economic factors. Due to our work on large construction projects, a few customers sometimes may comprise a large portion of our receivable balance at any point in time. If any of our major customers experience financial difficulties, we could experience reduced cash flows and losses in excess of current allowances provided. In addition, material changes in any of our customers revenues or cash flows could affect our ability to collect amounts due from them.

We may not be able to compete for, or work on, certain projects if we are not able to obtain necessary bonds, letters of credit, bank guarantees or other financial assurances.

Our contracts may require that we provide to our customers security for the performance of their projects in the form of bonds, letters of credit, bank guarantees or other financial assurances. Current or future market conditions, including losses incurred in the construction industry or as a result of large corporate bankruptcies, as well as changes in our sureties assessment of our operating and financial risk, could cause our surety providers and lenders to decline to issue or renew, or substantially reduce the amount of, bid or performance bonds for our work and could increase our costs associated with collateral. These actions could be taken on short notice. If our surety providers or lenders were to limit or eliminate our access to bonding, letters of

TABLE OF CONTENTS

credit or guarantees, our alternatives would include seeking capacity from other sureties and lenders, finding more business that does not require bonds or allows for other forms of collateral for project performance, such as cash. We may be unable to secure these alternatives in a timely manner, on acceptable terms, or at all, which could affect our ability to bid for or work on future projects requiring financial assurances.

We have also granted security interests in various of our assets to collateralize our obligations to our sureties and lenders. Furthermore, 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 any bonds. If we were to experience an interruption or reduction in the availability of bonding capacity as a result of these or any other reasons, we may be unable to compete for or work on certain projects that would require bonding.

Inability to hire or retain key personnel could disrupt our business.

The success of our business depends upon the continued efforts and abilities of our executive officers and senior management, including the management at each operating subsidiary. The relationships between our executive officers and senior management and our customers are important to obtaining and retaining business. We are also dependent upon our project managers and field supervisors who are responsible for managing and recruiting employees to our projects. There can be no assurance that any individual will continue in his or her capacity for any particular period of time. Industry-wide competition for managerial talent is high. Given that level of competition, there could be situations where our overall compensation package may be viewed as less attractive as compared to our competition, and we may experience the loss of key personnel. The loss of key personnel, or the inability to hire and retain qualified employees, could negatively impact our ability to manage our business and relationships with our customers.

Our business may be affected by seasonal and other variations, including severe weather conditions.

Although our revenues are primarily driven by spending patterns in our customers industries, our revenues and results of operations can be subject to seasonal variations, particularly in our T&D segment. These variations are influenced by weather, hours of daylight, customer spending patterns, available system outages from utilities and holidays, and can have a significant impact on our gross margins. Our profitability may decrease during the winter months and during severe weather conditions because work performed during these periods may be restricted and more costly to complete. Additionally, our T&D customers often cannot remove their T&D lines from service during the summer months when consumer demand for electricity is at its peak, delaying the demand for our maintenance and repair services. Working capital needs are also influenced by the seasonality of our business. We generally experience a need for additional working capital during the spring when we increase outdoor construction in weather-affected regions of the country, and we convert working capital assets to cash during the winter months.

We may fail to execute or integrate acquisitions or joint ventures successfully.

As part of our growth strategy, we may acquire companies or enter into joint ventures that expand, complement or diversify our business. The number of acquisition targets or joint venture opportunities that meet our criteria may be limited, and we may face competition for these opportunities. Acquisitions or joint ventures that we may pursue may also involve significant cash expenditures, the incurrence or assumption of debt or burdensome regulatory requirements.

Future acquisitions or joint ventures may expose us to operational challenges and risks, including the diversion of management s attention from our existing business, the failure to retain key personnel or customers of an acquired business, difficulties integrating the operations and personnel, failure of acquired companies to achieve the results we expect, the assumption of unknown liabilities of the acquired business for which there are inadequate reserves and the potential impairment of acquired intangible assets. Our ability to grow and maintain our competitive position may be affected by our ability to successfully integrate any businesses acquired.

TABLE OF CONTENTS

Work stoppages or other labor issues with our unionized workforce could adversely affect our business.

As of December 31, 2016, approximately 91% of our craft labor employees were covered by collective bargaining agreements. 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 could adversely impact our relationships with our customers and could cause us to lose business, resulting in decreased revenues.

Multi-employer pension plan obligations related to our unionized workforce could adversely impact our earnings.

Our collective bargaining agreements may require us to participate with other companies in various multi-employer pension plans. To the extent that we participate in any multi-employer pension plans that are underfunded, the Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, may subject us to substantial liabilities under those plans if we were to withdraw from them, if they were terminated or experience a mass withdrawal. Furthermore, the Pension Protection Act of 2006, as amended by the Consolidated and Further Continuing Appropriations Act of 2015 (the PPA) imposes additional funding and operational rules applicable to plan years beginning after 2007 for multi-employer pension plans that are classified as either endangered, seriously endangered or critical status. Plans in these classifications must adopt measures to improve their funded status, which may require additional employer contributions and/or modifications to employee benefits based on future union wages paid.

We have been informed that several of the multi-employer pension plans to which our subsidiaries contribute have been classified as critical or endangered status as defined by the PPA. Although we are not currently aware of any potential significant liabilities to us as a result of these plans being classified as being in a critical or endangered status, our future financial results could be impacted by the amended funding rules.

We may not have access in the future to sufficient funding to finance desired growth and operations.

If we cannot secure funds in the future, including financing on acceptable terms, we may be unable to support our growth strategy or future operations. Our credit facility contains numerous covenants and requires us to meet and maintain certain financial ratios and other tests. General business and economic conditions may affect our ability to comply with these covenants or meet those financial ratios and other tests, which may limit our ability to borrow under the facility.

Restrictions in the availability of bank credit could cause us to forgo otherwise attractive business opportunities and could require us to modify our business plan. We will continue to closely monitor our liquidity and the overall condition of the financial markets; however, we can give no assurance that we will be able to obtain such financing either on favorable terms or at all in the future.

Our operations are subject to a number of operational risks which may result in unexpected costs or liabilities.

Unexpected costs or liabilities may arise from lawsuits or indemnity claims related to the services we perform or have performed in the past. 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, environmental remediation, punitive damages, civil penalties or other losses, consequential damages or injunctive or declaratory relief. In addition, pursuant to our service arrangements, we generally indemnify our customers for claims related to the services we provide under those service arrangements. In some instances, our services are integral to the operation and performance of the electric distribution and transmission infrastructure. As a result, we may become subject to lawsuits or claims for any failure of the systems we work on, even if our services are not the cause for such failures. In addition, we may incur civil and criminal liabilities to the extent that our services contributed to any personal injury or property damage. The outcome of any of these lawsuits, claims or legal proceedings could result in significant costs and diversion of managements attention to the business.

Our operations are subject to a number of operational risks which may resultin unexpected costs or liabilities.

TABLE OF CONTENTS

Opportunities associated with government contracts could lead to increased governmental regulation applicable to us.

Most government contracts are awarded through a regulated competitive bidding process. If we were to be successful in being awarded government contracts, significant costs could be incurred by us before any revenues were realized from these contracts. Government agencies may review a contractor s performance, cost structure and compliance with applicable laws, regulations and standards. If government agencies determine through these reviews that costs were improperly allocated to specific contracts, they will not reimburse the contractor for those costs or may require the contractor to refund previously reimbursed costs. If government agencies determine that we engaged in improper activity, we may be subject to civil and criminal penalties. Government contracts are also subject to renegotiation of profit and termination by the government prior to the expiration of the term.

Risks associated with operating in the Canadian market could restrict our ability to expand and harm our business and prospects.

There are numerous inherent risks in conducting our business in a different country including, but not limited to, potential instability in markets, political, economic or social conditions, and difficult or additional legal and regulatory requirements applicable to our operations. Limits on our ability to repatriate earnings, exchange controls, and complex U.S. and Canadian laws and treaties could also adversely impact our operations. Changes in the value of the Canadian dollar could increase or decrease the U.S. dollar value of our profits earned or assets held in Canada or potentially limit our ability to reinvest earnings from our operations in Canada to fund the financing requirements of our operations in the U.S. These risks could restrict our ability to provide services to Canadian customers or to operate our Canadian business profitably, and could negatively impact our results.

Our failure to comply with the laws applicable to our Canadian activities, including the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws, could have an adverse effect on us.

The U.S. Foreign Corrupt Practices Act (FCPA) and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. Our policies mandate compliance with all applicable anti-bribery laws. Although we have policies and procedures designed to ensure that we, our employees, our agents and others who work with us in foreign countries comply with the FCPA and other anti-bribery laws, there is no assurance that such 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 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, financial condition 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.

The nature of our business exposes us to warranty claims, which may reduce our profitability.

Under our contracts with customers, we typically provide a warranty for the services we provide, guaranteeing the work performed against defects in workmanship and material. As much of the work we perform is inspected by our customers for any defects in construction prior to acceptance of the project, the warranty claims that we have historically received have been minimal. Additionally, materials used in construction are often provided by the customer or are warranted against defects from the supplier. However, certain projects may have longer warranty periods and include facility performance warranties that may be broader than the warranties we generally provide. In these circumstances, if warranty claims occurred, it could require us to re-perform the services or to repair or replace the warranted item, at a cost to us, and could also result in other damages if we are not able to adequately satisfy our warranty obligations. In addition, we may be required under contractual arrangements with our customers to warrant any defects or failures in materials we provide that we purchase from third parties. While we generally require suppliers to provide us warranties that are consistent with those we provide to the customers, if any of these suppliers default on their warranty

21

obligations to us, we may incur costs to repair or replace the defective materials for which we are not reimbursed. Costs incurred as a result of warranty claims could adversely affect our operating results, financial condition and cash flows.

Certain provisions in our organizational documents and Delaware law could delay or prevent a change in control of our company.

The existence of certain provisions in our organizational documents and Delaware law could delay or prevent an unsolicited change in control of our company, even if a change of control might be beneficial to our shareholders. For example, provisions in our certificate of incorporation and by-laws that could delay or prevent a change in control of our company include: a staggered board of directors, the potential of our board of directors to authorize the issuance of preferred stock, the power of a majority of our board of directors to fix the number of directors, the power of our board of directors to fill a vacancy on the board of directors, including when such vacancy occurs as a result of an increase in the number of directors, the requirement that actions to be taken by our stockholders may be taken only at an annual or special meeting of our stockholders and not by written consent, and advance notice provisions for director nominations or business to be considered at a stockholder meeting. In addition, Delaware law imposes restrictions on mergers and other business combinations between us and an interested stockholder (defined as the holder of 15% or more of our outstanding common stock), and prohibits us from engaging in any of a broad range of business transactions with an interested stockholder, or an interested stockholder s affiliates and associates, for a period of three years following the date such stockholder became an interested stockholder.

We, or our business partners, may be subject to failures, interruptions or breaches of information technology systems, which could affect our operations, competitive position or damage our reputation.

We use our own information technology systems as well as our business partners systems to maintain certain data and provide reports. The failure of these systems to operate effectively or problems with transitioning to upgraded or replacement systems could cause delays and reduce the efficiency of our operations, which could have a material adverse effect on our results of operations, and significant costs could be incurred to remediate the problem. Additionally, our security measures, and those of our business partners, may be compromised as a result of third-party security breaches, employee error, malfeasance, faulty password management, or other irregularity, and may result in persons obtaining unauthorized access to our data or accounts. While we devote significant resources to network security and other security measures to protect our systems and data, these security measures cannot provide absolute security. If a security breach affects our informational technology systems, or results in the unauthorized release of our proprietary information, our competitive situation or our reputation could be damaged.

Our stock has experienced significant price and volume fluctuations and future sales of our common stock could lead to dilution of our issued and outstanding common stock.

From time to time, the price and trading volume of our common stock, as well as the stock of other companies in our industry, may experience periods of significant volatility in response to various factors and events beyond our control. Company-specific issues and developments generally in our industry (including the regulatory environment) and the capital markets and the economy in general may cause this volatility. We may issue equity securities in the future, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The issuance of additional shares of our common stock or other equity securities, including sales of shares in connection with any future acquisitions, could be substantially dilutive to our stockholders. In addition numerous factors could have a significant effect on the price of our common stock, including but not limited to:

announcements of fluctuations in our operating results or the operating results of one of our competitors;
market conditions in our customers industries;
capital spending plans of our significant customers;
announcements by us or one of our competitors of new or terminated customers or new, amended or terminated contracts;

22

TABLE OF CONTENTS

- announcements of acquisitions by us or one of our competitors;
- changes in recommendations or earnings estimates by securities analysts;
- future repurchases of our common stock; and
- future sales of our common stock or other securities, including any shares issued in connection with business acquisitions or earn-out obligations for any future acquisitions.

Our internal controls over financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur. Internal controls over financial reporting and disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objective will be met.

On a quarterly basis we evaluate our internal controls over financial reporting and our disclosure controls and procedures, which include a review of the objectives, design, implementation and effectiveness of the controls and the information generated for use in our periodic reports. In the course of our controls evaluation, we seek to identify data errors, control problems and to confirm that appropriate corrective actions, including process improvements, are being undertaken.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be satisfied. Internal controls over financial reporting and disclosure controls and procedures are designed to give reasonable assurance that they are effective and achieve their objectives. We cannot provide absolute assurance that all possible future control issues have been detected. These inherent limitations include the possibility that our judgments can be faulty, and that isolated breakdowns can occur because of human error. The design of our system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed absolutely in achieving our stated goals under all potential future or unforeseeable conditions. We may discover in the future that we have deficiencies in the design and operation of our internal controls. If any deficiency in our internal controls, either by itself or in combination with other deficiencies, becomes a material weakness , such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis, we may be unable to conclude that we have effective internal control over financial reporting. In such event, investors could lose confidence in the reliability of our financial statements, which may significantly harm our business and cause our stock price to decline.

We are subject to risks associated with climate change.

Climate change may create physical and financial risk. Physical risks from climate change could, among other things, include an increase in extreme weather events (such as floods or hurricanes), rising sea levels and limitations on water availability and quality. Such extreme weather conditions may limit the availability of resources, increasing the costs of our projects, or may cause projects to be delayed or cancelled.

Additionally, legislative and regulatory responses related to climate change and new interpretations of existing laws through climate change litigation may also negatively impact our operations. The cost of additional environmental regulatory requirements could impact the availability of goods and increase our costs. International treaties or accords could also have an impact on our business to the extent they lead to future governmental regulations. Compliance with any new laws or regulations regarding the reduction of greenhouse gases could result in significant changes to our operations and a significant increase in our cost of conducting business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located at 1701 Golf Road, Suite 3-1012, Rolling Meadows, Illinois 60008, the lease term of which expires on January 31, 2020. In addition to our executive offices, our corporate accounting and finance departments, corporate information technology department and certain legal and other

TABLE OF CONTENTS

personnel are located at this office. As of December 31, 2016, we owned 15 operating facilities and leased many other properties in various locations throughout our service territory. Most of our properties are used as offices or for fleet operations. We believe that our facilities are adequate for our current operating needs. We do not believe that any owned or leased facility is material to our operations and, if necessary, we could obtain replacement facilities for our leased facilities.

Item 3. Legal Proceedings

We are, from time-to-time, party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil and criminal penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that any of these proceedings, separately or in the aggregate, would be expected to have a material adverse effect on our financial position, results of operations, or cash flows.

We are routinely subject to other civil claims, litigation and arbitration, and regulatory investigations arising in the ordinary course of our past and present businesses as well as in respect of our divested businesses. Some of these include claims related to our services and operations, and asbestos-related claims concerning operations of a divested subsidiary of our predecessor. We believe that we have strong defenses to these claims as well as insurance coverage that will contribute to any settlement or liability in the event any asbestos-related claim is not resolved in our favor. These claims have not had a material impact on us to date, and we believe the likelihood that a future material adverse outcome will result from these claims is remote. However, if facts and circumstances change in the future, we cannot be certain that an adverse outcome of one or more of these claims would not have a material adverse effect on our financial condition, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

Not Applicable.

TABLE OF CONTENTS

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock, par value $0.01, is listed on The NASDAQ Global Market under the symbol MYRG.

The following table sets forth the high and low sales prices of our common stock per share, as reported by The NASDAQ Global Market for each of the periods listed:

	High	Low
Year Ended December 31, 2016		
First Quarter	$ 25.69	$ 17.77
Second Quarter	$ 26.70	$ 22.59
Third Quarter	$ 30.38	$ 21.84
Fourth Quarter	$ 41.43	$ 28.34
Year Ended December 31, 2015		
First Quarter	$ 32.24	$ 24.55
Second Quarter	$ 31.92	$ 27.90
Third Quarter	$ 31.70	$ 25.40
Fourth Quarter	$ 27.52	$ 18.18

Holders of Record

As of March 3, 2017, we had 16 holders of record of our common stock.

Dividend Policy

We have neither declared nor paid any cash dividend on our common stock since our common stock began trading publicly on August 12, 2008. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to compliance with legal requirements and covenants under any existing financing agreements, which may restrict or limit our ability to declare or pay dividends, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors may deem relevant.

Performance Graph

The following Performance Graph and related information shall be deemed furnished and not filed for purposes of Section 18 of the Exchange Act, and such information shall not be incorporated by reference into any future filing under the Securities Act or the Exchange Act except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares, for the period from December 31, 2011 to December 31, 2016, the cumulative total stockholder return on our common stock with the cumulative total return on the Standard & Poor s 500 Index (the S&P 500 Index), the Russell 2000 Index, and a peer group index selected by our management that includes fourteen publicly traded companies within our industry (the Peer Group). The comparison assumes that $100 was invested on December 31, 2011 and further assumes any dividends were reinvested quarterly. The stock price performance reflected on the following graph is not necessarily indicative of future stock price performance.

The companies in the Peer Group were selected because they comprise a broad group of publicly traded companies, each of which has some operations similar to ours. When taken as a whole, the Peer Group more closely resembles our total business than any individual company in the group while reducing the impact of a significant change in any one of the Peer Group company s stock price. The Peer Group is composed of the following companies:

Aegion Corporation	Granite Construction Incorporated	Quanta Services, Inc.*
Astec Industries, Inc.	IES Holdings, Inc.	Tetra Tech, Inc.
Comfort Systems USA, Inc.	MasTec, Inc.*	TRC Companies, Inc.
Dycom Industries, Inc.	Matrix Service Company	Willbros Group, Inc.*
EMCOR Group*	Primoris Services Corporation	

* Considered our core group of peers with a more significant portion of operations being similar to ours than the overall group. Graph presents entire Peer Group.

	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
MYR Group Inc.	100.00	116.25	131.03	143.16	107.68	196.87
S&P 500	100.00	116.00	153.58	174.60	177.01	198.18
Russell 2000	100.00	116.35	161.52	169.43	161.95	196.45
Peer Group	100.00	126.32	157.41	144.69	143.65	213.44

TABLE OF CONTENTS

Item 6. Selected Financial Data

The following table sets forth certain summary financial information on a historical basis. The summary statement of operations and the balance sheet data set forth below have been derived from our audited Financial Statements and footnotes thereto included elsewhere in this filing or in prior filings. Our Financial Statements have been prepared in accordance with U.S. GAAP. Historical results are not necessarily indicative of the results we expect in the future and quarterly results are not necessarily indicative of the results of any future quarter or any full-year period. The information below should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results from Operations and the Financial Statements and notes thereto included in this annual report on Form 10-K.

Statement of operations data:

	For the year ended December 31,				
(in thousands, except per share data)	2016	2015	2014	2013	2012
Contract revenues	$1,142,487	$1,061,681	$943,967	$902,729	$998,959
Contract costs	1,007,764	939,340	811,553	777,852	880,306
Gross profit	134,723	122,341	132,414	124,877	118,653
Selling, general and administrative expenses	96,424	79,186	73,818	69,818	63,575
Amortization of intangible assets	886	571	334	335	335
Gain on sale of property and equipment	(1,341)	(2,257)	(142)	(893)	(1,019)
Income from operations	38,754	44,841	58,404	55,617	55,762
Other income (expense):					
Interest income	5	25	106	9	2
Interest expense	(1,299)	(741)	(722)	(727)	(852)
Other income (expense), net	885	174	162	(27)	(222)
Income before provision for income taxes	38,345	44,299	57,950	54,872	54,690
Income tax expense	16,914	16,997	21,406	20,113	20,428
Net income	$21,431	$27,302	$36,544	$34,759	$34,262
Income per common share:					
Basic	$1.25	$1.33	$1.73	$1.65	$1.67
Diluted	$1.23	$1.30	$1.69	$1.61	$1.60
Weighted average number of common shares and potential common shares outstanding:					
Basic	17,109	20,577	20,922	20,821	20,391
Diluted	17,461	21,038	21,466	21,431	21,172

27

TABLE OF CONTENTS

Balance sheet data:

(in thousands)	As of December 31, 2016	2015	2014	2013	2012
Cash and cash equivalents	$ 23,846	$ 39,797	$ 77,636	$ 76,454	$ 19,825
Working capital[1]	129,277	123,630	141,913	119,570	89,507
Total assets	573,495	524,925	520,086	525,422	466,348
Long-term debt	59,070				
Total liabilities	310,321	195,045	197,533	229,331	211,658
Stockholders equity	$ 263,174	$ 329,880	$ 322,553	$ 296,091	$ 254,690

Other Data: (Unaudited)

(in thousands)	For the year ended December 31, 2016	2015	2014	2013	2012
Net cash flows provided by operating activities	$54,490	$43,000	$54,976	$95,062	$29,999
Net cash flows used in investing activities	(34,128)	(56,928)	(38,725)	(41,574)	(36,045)
Net cash flows (used in) provided by financing activities	(35,539)	(23,911)	(15,069)	3,141	(8,142)
Depreciation and amortization[2]	39,122	38,029	33,423	29,195	25,156
Capital expenditures	25,371	46,599	39,045	42,725	37,249
Backlog[3]	688,832	450,934	433,641	326,094	497,579
EBITDA[4]	$78,761	$83,044	$91,989	$84,785	$80,696

(1) Working capital represents total current assets less total current liabilities.

(2) Depreciation and amortization includes depreciation on capital assets, amortization of capital leases and amortization of finite-lived intangible assets.

(3) Backlog represents our estimated revenue on uncompleted contracts, including the amount of revenue on contracts on which work has not begun, minus the revenue we have recognized under such contracts. See Item 1. Business-Backlog for a discussion on how we calculate backlog for our business and Item 1A. Risk Factors-Backlog may not be realized or may not result in profits and may not accurately represent future revenue.

(4) EBITDA, a performance measure used by management, is defined as net income (loss) plus: interest income and expense, provision (benefit) for income taxes and depreciation and amortization, as shown in the following table. EBITDA, a non-GAAP financial measure, does not purport to be an alternative to net income as a measure of operating performance or to net cash flows provided by operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly-titled measures of other companies. We use, and we believe investors benefit from the presentation of, EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance and cash flow because EBITDA is widely used by investors to measure a company s operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, useful lives placed on assets, capital structure and the method by which assets were acquired.

Using EBITDA as a performance measure has material limitations as compared to net income, or other financial measures as defined under U.S. GAAP, as it excludes certain recurring items, which may be meaningful to investors. EBITDA excludes interest expense or interest income; however, as we have borrowed money to finance transactions and operations, or invested available cash to generate interest income, interest expense and interest income are elements of our cost structure and can affect our ability to generate revenue and returns for our stockholders. Further, EBITDA excludes depreciation and amortization; however, as we use capital and intangible assets to generate revenues, depreciation and

TABLE OF CONTENTS

amortization are a necessary element of our costs and ability to generate revenue. Finally, EBITDA excludes income taxes; however, as we are organized as a corporation, the payment of taxes is a necessary element of our operations. As a result of these exclusions from EBITDA, any measure that excludes interest expense, interest income, depreciation and amortization and income taxes has material limitations as compared to net income. When using EBITDA as a performance measure, management compensates for these limitations by comparing EBITDA to net income in each period, to allow for the comparison of the performance of the underlying core operations with the overall performance of the company on a full-cost, after-tax basis. Using both EBITDA and net income to evaluate the business allows management and investors to (a) assess our relative performance against our competitors and (b) monitor our capacity to generate returns for our stockholders.

The following table provides a reconciliation of net income to EBITDA:

	For the year ended December 31,				
(in thousands)	2016	2015	2014	2013	2012
Net income	$ 21,431	$ 27,302	$ 36,544	$ 34,759	$ 34,262
Interest expense, net	1,294	716	616	718	850
Provision for income taxes	16,914	16,997	21,406	20,113	20,428
Depreciation and amortization(2)	39,122	38,029	33,423	29,195	25,156
EBITDA	$ 78,761	$ 83,044	$ 91,989	$ 84,785	$ 80,696

We also use EBITDA as a liquidity measure. We believe that EBITDA is important for evaluating our ability to comply with certain material covenants contained within our credit agreement (the Credit Agreement). Non-compliance with these financial covenants under the Credit Agreement our interest coverage ratio which is defined in the Credit Agreement as Consolidated EBITDA (as defined in the Credit Agreement) divided by interest expense and our Leverage Ratio (as defined in the Credit Agreement) could result in our lenders requiring us to immediately repay all amounts borrowed. If we anticipated a potential covenant violation, we would seek relief from our lenders, likely causing us to incur additional cost, and such relief might not be available, or if available, might not be on terms as favorable as those in the Credit Agreement. In addition, if we cannot satisfy these financial covenants, we would be prohibited under the Credit Agreement from engaging in certain activities, such as incurring additional indebtedness, making certain payments, and acquiring or disposing of assets. Based on the information above, management believes that the presentation of EBITDA as a liquidity measure is useful to investors and relevant to their assessment of our capacity to service or incur debt, fund capital expenditures, finance acquisitions and expand our operations.

The following table provides a reconciliation of net cash flows provided by operating activities to EBITDA:

	For the year ended December 31,				
(in thousands)	2016	2015	2014	2013	2012
Net cash flows provided by operating activities	$54,490	$43,000	$54,976	$95,062	$29,999
Add/(subtract)					
Changes in operating assets and liabilities	13,795	26,669	23,314	(27,950)	34,120
Adjustments to reconcile net income to net cash flows provided by operating activities	(46,854)	(42,367)	(41,746)	(32,353)	(29,857)
Depreciation and amortization(2)	39,122	38,029	33,423	29,195	25,156
Provision for income taxes	16,914	16,997	21,406	20,113	20,428
Interest expense, net	1,294	716	616	718	850
EBITDA	$78,761	$83,044	$91,989	$84,785	$80,696

29

TABLE OF CONTENTS

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussions should be read in conjunction with the other sections of this report, including the Financial Statements and related notes contained in Item 8 of this annual report on Form 10-K. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management s expectations. Factors that could cause such differences are discussed in Forward-Looking Statements and Risk Factors. We assume no obligation to update any of these forward-looking statements.

Overview-Introduction

We are a leading specialty contractor serving the electrical infrastructure market. We manage and report our operations through two industry segments: T&D and C&I. We have operated in the T&D industry since 1891. We are one of the largest contractors servicing the T&D sector of the electric utility industry in the United States and are expanding our T&D services into Canada. Our customers include many of the leading companies in the industry. We have provided C&I electrical contracting services to facility owners and general contractors since 1912. In 2016, our acquisition of Western Pacific Enterprises Ltd. further expanded our C&I services and enhanced our T&D services in western Canada. We strive to maintain our status as a preferred provider to our T&D and C&I customers.

We believe that we have a number of competitive advantages in both of our segments, including our skilled workforce, extensive centralized fleet, proven safety performance and reputation for timely completion of quality work that allows us to compete favorably in our markets. In addition, we believe that we are better capitalized than some of our competitors, which provides us with valuable flexibility to take on additional and complex projects.

We had revenues, for the year ended December 31, 2016, of $1.142 billion compared to $1.062 billion for the year ended December 31, 2015. For the year ended December 31, 2016, our net income was $21.4 million compared to $27.3 million for the year ended December 31, 2015. The increase in revenue was primarily due to organic and acquisitive growth, partially offset by a decline in revenue in some geographic areas. Our expansion into new markets increased our operating costs, which was the primary cause of our decrease in net income.

Overview-Segments

Transmission and Distribution segment. Our T&D segment provides comprehensive solutions to customers in the electric utility industry and the renewable energy industry. Our T&D segment generally serves the electric utility industry as a prime contractor to customers such as investor-owned utilities, cooperatives, private developers, government-funded utilities, independent power producers, independent transmission companies, industrial facility owners and other contractors. Our T&D segment provides a broad range of services on electric transmission and distribution networks and substation facilities which include design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair. The demand for transmission construction and maintenance services has increased over the past several years due to the modernization of the existing electric utility infrastructure and the need to integrate renewable generation into the electric power grid.

For the year ended December 31, 2016, our T&D revenues were $819.0 million or 71.7% of our revenue, compared to $794.9 million or 74.9% of our revenue for the year ended December 31, 2015 and $699.6 million or 74.1% of our revenue for the year ended December 31, 2014. Revenues from transmission projects represented 75.8%, 73.9%, and 77.8% of T&D segment revenue for the years ended December 31, 2016, 2015 and 2014, respectively.

Our T&D segment also provides storm restoration services in response to hurricanes, ice storms or other storm related events, which typically account for less than 5% of our annual revenues. In 2016, 2015 and 2014, we recognized revenues from storm restoration services of approximately $7.1 million, $7.7 million and $13.3 million, respectively, which represented approximately 0.6%, 0.7% and 1.4% of our annual revenues, respectively.

Measured by revenues in our T&D segment, we provided 56.9%, 48.4% and 53.1% of our T&D services under fixed-price contracts during the years ended December 31, 2016, 2015 and 2014, respectively. We also provide many services to our customers under multi-year maintenance service agreements and other variable service agreements.

Commercial and Industrial segment. Our C&I segment provides services such as the design, installation, maintenance and repair of commercial and industrial wiring, installation of traffic networks and the installation of bridge, roadway and tunnel lighting. In our C&I segment, we generally provide our electric construction and maintenance services as a subcontractor to general contractors in the C&I industry as well as to facility owners. Our C&I operations are primarily in the western and northeastern United States and in western Canada where we have sufficient scale to deploy the level of resources necessary to achieve significant market share. We concentrate our efforts on projects where our technical and project management expertise are critical to successful and timely execution. The majority of C&I contracts cover electrical contracting services for airports, hospitals, data centers, hotels, stadiums, convention centers, manufacturing plants, processing facilities, waste-water treatment facilities, mining facilities and transportation control and management systems.

For the year ended December 31, 2016, our C&I revenues were $323.5 million or 28.3% of our revenue, compared to $266.8 million or 25.1% of our revenue for the year ended December 31, 2015 and $244.4 million or 25.9% of our revenue for the year ended December 31, 2014.

Measured by revenues in our C&I segment, we provided 73.4%, 71.6% and 41.7% of our services under fixed-price contracts for the years ended December 31, 2016, 2015 and 2014, respectively.

Overview-Revenue and Gross Margins

Revenue Recognition. We recognize revenue on a percentage-of-completion method of accounting, which is commonly used in the construction industry. The percentage-of-completion accounting method results in recognizing contract revenues and earnings ratably over the contract term in proportion to our incurrence of contract costs. The profits or losses recognized on individual contracts are based on estimates of contract revenues, costs and profitability. Contract losses are recognized in full when determined, and contract profit estimates are adjusted based on ongoing reviews of contract profitability. Changes in job performance, labor costs, equipment costs, job conditions, weather, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined. We record adjustments to estimated costs of contracts when we believe the change in estimate is probable and the amounts can be reasonably estimated. These adjustments could result in either increases or decreases in profit margins. The gross margins we record in the current period may not be indicative of margins in future periods.

Gross Margins. Our gross margin can vary between periods as a result of many factors, some of which are beyond our control. These factors include: the mix of revenue derived from the industries we serve, the size and duration of our projects, the mix of business conducted in different parts of the United States and Canada, the mix in service and maintenance work compared to new construction work, the amount of work that we subcontract, the amount of material we supply, changes in labor, equipment or insurance costs, seasonal weather patterns, changes in fleet utilization, pricing pressures due to competition, efficiency of work performance, fluctuations in commodity prices of materials, delays in the timing of projects and other factors.

Overview-Economic, Industry and Market Factors

We operate in competitive markets, which can result in pricing pressures for the services we provide. Work is often awarded through a bidding and selection process, where price is always a principal factor. We generally focus on managing our profitability by: selecting projects that we believe will provide attractive margins; actively monitoring the costs of completing our projects; holding customers accountable for costs related to changes to contract specifications; and rewarding our employees for controlling costs.

The demand for construction and maintenance services from our customers has been, and will likely continue to be, cyclical in nature and vulnerable to downturns in the markets we serve as well as the economy in general. The financial condition of our customers and their access to capital, variations in the margins of projects performed during any particular period, and regional and national economic conditions in the

31

United States and Canada may materially affect results. Project schedules, particularly in connection with larger, multi-year projects, can also create fluctuations in our revenues. Other market and industry factors, such as changes to our customers capital spending plans or delays in regulatory approvals can affect project schedules. Changes in technology, tax and other incentives and new or changing regulatory requirements affecting the industries we serve can impact demand for our services. While we actively monitor economic, industry and market factors affecting our business, we cannot predict the impact such factors may have on our future results of operations, liquidity and cash flows. As a result of economic, industry and market factors, our operating results in any particular period or year may not be indicative of the results that can be expected for any other period or for any other year.

Overview-Seasonality

Although our revenues are primarily driven by spending patterns in our customers industries, our revenues, particularly those derived from our T&D segment, and results of operations can be subject to seasonal variations. These variations are influenced by weather, daylight hours, availability of system outages from utilities, and holidays. During the winter months, demand for our T&D work may be high, but our work can be delayed due to inclement weather. During the summer months, the demand for our T&D work may be affected by fewer available system outages during which we can perform electrical line service work due to peak electrical demands caused by warmer weather conditions. During the spring and fall months, the demand for our T&D work may increase due to improved weather conditions and system availability; however, extended periods of rain and other severe weather can affect the deployment of our crews and efficiency of operations.

We also provide storm restoration services to our T&D customers. These services tend to have a higher profit margin. However, storm restoration service work that is performed under an MSA typically has similar rates to other work under the agreement. In addition, deploying employees on storm restoration work may, at times, delay work on other transmission and distribution work. Storm restoration service work is unpredictable and can affect results of operations.

Outlook

We continue to expect long-term growth in the transmission market, although the timing of large bids and subsequent construction is likely to be highly variable from year to year. We believe several multi-year transmission projects will be available for bid in the 2017 to 2018 timeframe. We also expect bidding activity in small and medium-sized transmission and distribution projects to continue in 2017. While it is unclear what impact the new administration may have on our business, we are optimistic about overall economic growth and infrastructure spending and believe that improving industry activity will continue in both of our market segments and the drivers for utility investment will remain intact. We believe that regulatory reform, state renewable portfolio standards, the aging of the electric grid, and the general improvement of the economy will positively impact the level of spending by our customers. Although competition remains strong, we see these trends as positive factors for us in the future.

Our business is directly impacted by the level of spending on T&D infrastructure and the level of C&I electrical construction activity across the United States and Canada. The electric grid is aging and requires significant upgrades and maintenance to meet current and future demands for electricity. In addition, regulatory pressures and low energy prices may accelerate the shut-down of coal-fired generating plants, which could result in the need for line upgrades and new substations. Over the past several years, many utilities have begun to implement plans to improve their transmission systems, improve reliability and reduce congestion. These utilities have started or planned new construction, line upgrades and maintenance projects on many transmission systems. We believe that our customers remain committed to the expansion and strengthening of their transmission infrastructure, with planning, engineering and funding for many of their projects already in place. We continue to see opportunities in the Canadian transmission market which we expect will extend over the next several years driven by load center delivery requirements, aging infrastructure, additional hydropower generation development and hydropower interconnection projects to serve Canadian load and the import of hydro power to the United States.

We believe that renewable resources in the United States will still be a driver for large transmission project activity under the new administration. State renewable portfolio standards, which set required or voluntary standards for how much electricity is to be generated from renewable energy sources, as well as general environmental concerns, are driving the development of renewable energy projects. The economic feasibility of renewable energy projects, and therefore the attractiveness of investment in the projects, may depend on the availability of tax incentive programs or the ability of the projects to take advantage of such incentives. The late-2015 congressional approval of a five-year extension to the Production Tax Credit and Investment Tax Credit should continue to spur additional wind and solar development, and we believe we will benefit from an increase in these projects.

As a result of reduced spending by United States utilities on their distribution systems for several years, we believe there is a continued need for sustained investment by utilities on their distribution systems to properly maintain or meet reliability requirements. In 2016, we saw increased bidding activity in some of our electric distribution markets, as economic conditions improved in those areas. We believe that continued recovery in the United States economy, and in the housing market in particular, over the next few years could provide additional stimulus for spending by our customers on their distribution systems. In addition, we believe there will be a push to strengthen utility distribution systems against major storm-related damage. Several industry and market trends are also prompting customers in the electric utility industry to seek outsourcing partners rather than performing projects internally. These trends include an aging electric utility workforce, increasing costs and staffing constraints. We believe electric utility employee retirements could increase with further economic recovery, which may result in an increase in outsourcing opportunities. We expect to see an incremental increase in distribution opportunities in the United States in 2017 and we believe these opportunities will continue to be bid in a competitive market.

We believe we will continue to see significant bidding activity on large transmission projects in 2017 and 2018. The timing of multi-year transmission project awards and substantial construction activity is difficult to predict due to regulatory requirements and right-of-way permits needed to commence construction. Significant construction on any large, multi-year projects awarded in 2017 will not likely occur until 2018. Bidding and construction activity for small to medium-size transmission projects and upgrades remains strong, and we expect this trend to continue in 2017, primarily due to reliability and economic drivers. Competition and the unpredictability of awards in the transmission market may impact our ability to maintain high utilization of equipment and manpower resources which is essential to maintaining contract margins.

We saw increased activity in many of our C&I markets in 2016. Results in our C&I segment improved over the prior year due to our strategic acquisitions, organic expansion into new markets and improved economic conditions. We expect to see continued improvement in bidding opportunities in our C&I segment in 2017. We expect the long-term growth in our C&I segment to generally track the economic growth of the regions we serve and benefit to the extent economic conditions continue to improve in the markets we serve.

Through 2016, we continued to implement a three-pronged strategy of organic growth, strategic acquisitions and prudent capital returns, which is further detailed below. Additionally, in June 2016, we entered into an amended and restated, five-year credit agreement, which expanded our borrowing capacity to $250 million. This new credit agreement provided added resources and flexibility to execute each of our three-pronged strategy initiatives.

Organic Growth In 2016, we expanded our operations at our California office to include C&I services. In 2015, we opened five new offices located in the states of California, Kansas, Nevada, Texas and Washington and began work on our first major project award in Canada. We continue to look for opportunities to expand our operations into new markets in the United States and Canada. A few of our new organic growth initiatives are progressing slower than expected due to the timing of contract awards and penetration of new market, which resulted in uncovered fixed costs for the year ended December 31, 2016. Despite slower starts in these markets, we continued to see improvements in most of our organic growth initiatives throughout 2016, and we believe that our strategy to grow the business will result in positive growth and enhance shareholder value going forward.

Strategic Acquisitions On October 28, 2016, we acquired substantially all of the assets of Western Pacific Enterprises GP and certain assets of Western Pacific Enterprises Ltd., with the company continuing operations as Western Pacific Enterprises Ltd. (WPE) and in 2015, we acquired substantially all of the assets of E.S. Boulos Company (ESB) and all of the outstanding common stock of High Country Line Construction, Inc. (HCL). The acquisition of ESB and HCL has enhanced our T&D presence in the northeast and western United States and further expanded our C&I presence into the northeast United States. WPE expanded our C&I and enhanced our T&D presence in western Canada. We continue to look for acquisition opportunities that are compatible with our culture while enhancing shareholder value.

Prudent Capital Returns In February 2016, we increased our share repurchase program by $75.0 million to $142.5 million and revised its provisions to enable us to accelerate the pace of share repurchases. On July 12, 2016, we exhausted the availability under this share repurchase authorization under which we repurchased a total of 6,024,978 shares of our common stock for an average share price of $23.64 per share. In July 2016, we increased the authorization to repurchase our stock by $20.0 million to $162.5 million and extended the terms of the program to August 15, 2017. Additionally, we continue to evaluate our capital allocation strategy of reducing future capital spending while expanding our fleet through alternative financing approaches, such as leasing. In March 2016, we entered into master lease arrangements and began to lease vehicles and equipment under these arrangements. We continue to look for opportunities to improve our resource allocation to enhance shareholder value.

We continue to invest in developing key management and craft personnel in both our T&D and C&I markets and in procuring the specialty equipment and tooling needed to win and execute projects of all sizes and complexity. In 2016 and 2015, we invested in capital expenditures of approximately $25.4 million and $46.6 million, respectively. Most of our capital expenditures supported opportunities in our T&D business. We plan to continue to evaluate our needs of additional equipment and tooling, with investments being funded substantially through cash flows from operations, cash on hand and draws on our line of credit. Our investment strategy is based on our belief that spending in transmission and distribution projects will continue to remain strong over the next several years as electric utilities, cooperatives and municipalities make up for the lack of infrastructure spending in the past, combined with the overall need to integrate new generation into the electric power grid, and our belief that distribution demand will increase over the next several years.

We ended 2016 with $167.2 million available under our line of credit. We believe that our financial position and operational strengths will enable us to manage the current challenges and uncertainties in the markets we serve and give us the flexibility to successfully execute our three-pronged strategy.

Understanding Backlog

We define backlog as our estimated revenue on uncompleted contracts, including the amount of revenue on contracts for which work has not begun, less the revenue we have recognized under such contracts. Backlog may not accurately represent the revenues that we expect to realize during any particular period. Several factors, such as the timing of contract awards, the type and duration of contracts, and the mix of subcontractor and material costs in our projects, can impact our backlog at any point in time. Some of our revenue does not appear in our periodic backlog reporting because the award of the project, as well as the execution of the work, can all take place within the period. For many of our unit-price, time-and-equipment, time-and-materials and cost-plus contracts, we only include projected revenue for a three-month period in the calculation of backlog, although these types of contracts are generally awarded as part of MSAs that typically have a one-year to three-year duration from execution. Our backlog only includes projects that have a signed contract or an agreed upon work order to perform work on mutually accepted terms and conditions.

Changes in backlog from period to period are primarily the result of fluctuations in the timing of awards and revenue recognition of contracts.

TABLE OF CONTENTS

Understanding Gross Margins

Our gross margin is gross profit expressed as a percentage of revenues. Gross profit is calculated by subtracting contract costs from revenue. Contract costs consist primarily of salaries, wages and benefits to employees, depreciation, fuel and other equipment expenses, equipment rentals, subcontracted services, insurance, facilities expenses, materials and parts and supplies. Various factors affect our gross margins on a quarterly or annual basis, including those listed below.

Performance Risk. Margins may fluctuate because of the volume of work and the impacts of pricing and job productivity, which can be impacted both favorably and negatively by customer decisions and crew productivity, as well as other factors. When comparing a service contract between periods, factors affecting the gross margins associated with the revenues generated by the contract may include pricing under the contract, the volume of work performed under the contract, the mix of the type of work specifically being performed, the availability of labor resources at expected labor rates and the productivity of the crews performing the work. Productivity can be influenced by many factors including the experience level of the crew, whether the work is on an open or encumbered right of way, weather conditions, geographical conditions, trade stacking, performance of other sub-trades, schedule changes and effects of environmental restrictions or regulatory delays.

Revenue Mix and Contract Terms. The mix of revenue derived from the industries we serve will impact gross margins. Changes in our customers spending patterns in each of the industries we serve can cause an imbalance in supply and demand and, therefore, affect margins and mix of revenue by industry served. Storm restoration services typically command higher profit margins than other maintenance services. Seasonal and weather factors, as noted below, can impact the timing at which customers perform maintenance and repairs, which can cause a shift in the revenue mix. Some of our contracts include shared savings clauses, in which we agree to share savings with our customer, and the timing of such savings can impact our margins. In addition, change orders and claims can impact our margins. Costs related to change orders are recognized in contract costs when incurred but revenue related to change orders is only recognized when it is probable that the change order will result in an addition to contract value and can be reliably estimated. Costs related to claims are recognized in contract costs when incurred, but revenue related to claims is recognized only to the extent that contract costs related to the claim have been incurred and when it is probable that the claim will result in an addition to contract value which can be reliably estimated. No profit is recognized on a claim until final settlement occurs.

Seasonal, Weather and Geographical. Seasonal patterns, primarily related to weather conditions and the availability of system outages, can have a significant impact on gross margins in a given period. It is typical during the winter months that parts of the country may experience snow or rainfall, which can affect our crews ability to work efficiently. Additionally, our T&D customers often cannot remove their T&D lines from service during the summer months, when consumer demand for electricity is at its peak, delaying the demand for our maintenance and repair services. In both cases, projects may be delayed or temporarily placed on hold. Conversely, in periods when weather remains dry and temperatures are moderate, more work can be done, sometimes with less cost, which would have a favorable impact on gross margins. The mix of business conducted in different parts of the country will also affect margins, as some parts of the country offer the opportunity for higher margins than others due to the geographic characteristics associated with the physical location where the work is being performed. Such characteristics include whether the project is performed in an urban versus a rural setting; in a mountainous area or in open terrain; or in normal soil conditions or rocky terrain. Site conditions, including unforeseen underground conditions, can also impact margins.

Depreciation and Amortization. We include depreciation on equipment and capital lease amortization in contract costs. This is common practice in our industry, but can make comparability to other companies difficult. Over the last few years, we have spent a significant amount of capital on property, facilities and equipment, with the majority of such expenditures being used to purchase additional specialized equipment to enhance our fleet and to reduce our reliance on lease arrangements and short term equipment rentals. We believe the investment in specialized equipment helps to reduce our costs, improve our margins and provide us with valuable flexibility to take on additional and complex projects. In 2016, we increased our use of alternative financing approaches, through capital leasing arrangements for shorter-lived equipment.

TABLE OF CONTENTS

Service and Maintenance Compared to New Construction. In general, new construction work has a higher gross margin than maintenance and repair work. New construction work is often obtained on a fixed-price basis, which carries a higher risk than other types of pricing arrangements because a contractor can bear the risk of increased expenses. As such, we generally bid fixed-price contracts with higher profit margins. We typically derive approximately 10% to 35% of our revenue from maintenance and repair work that is performed under pre-established or negotiated prices or cost-plus pricing arrangements which generally allow us a set margin above our costs. Thus, the mix between new construction work, at fixed-price, and maintenance and repair work, at cost-plus, in a given period will impact gross margin in that period.

Material and Subcontract Costs. Projects that include a greater amount of material or subcontractor costs can experience lower overall project gross margins as we typically add less mark up to material and subcontractor costs in our bids than what we would to our labor and equipment cost. In addition, successful completion of our contracts may depend on whether our subcontractors successfully fulfill their contractual obligations. If our subcontractors fail to satisfactorily perform their contractual obligations as a result of financial or other difficulties, we may be required to incur additional costs and provide additional services in order to make up such shortfalls.

Cost of Material. On fixed-price contracts where we are required to provide materials, our overall gross margin may be affected if we experience increases in material quantity or higher commodity costs.

Materials versus Labor. Projects that include a greater amount of material cost can experience lower overall project gross margins as we typically add less mark up to material cost in our bids than what we would to our labor and equipment cost.

Insurance. Gross margins could be impacted by fluctuations in insurance accruals related to our deductibles and loss history in the period in which such adjustments are made. We carry insurance policies, which were subject to certain deductibles, for workers compensation, general liability, automobile liability and other coverages. Losses up to the deductible amounts are accrued based upon estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported.

Fleet Utilization, Estimation, and Bidding. We operate a centrally-managed fleet in an effort to achieve the highest equipment utilization. We also develop internal equipment rates which provide our business units with appropriate cost information to estimate bids for new projects. Availability of equipment for a particular contract is determined by our internal fleet ordering process which is designed to optimize the use of internal fleet assets and allocate equipment costs to individual contracts. We believe these processes allow us to utilize our equipment efficiently, which leads to improved gross margins. Transmission and distribution projects can require different types of equipment. A significant shift in project mix can cause a shift in overall utilization, causing gross margins to vary.

Our team of trained estimators helps us to determine potential costs and revenues and make informed decisions on whether to bid for a project and, if bid, the rates to use in estimating the costs for that bid. The ability to accurately estimate labor, equipment, subcontracting and material costs in connection with a new project may affect the gross margins achieved for the project.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of compensation, related benefits and employee costs for management and administrative personnel, office rent and utilities, stock compensation, communications, professional fees, depreciation, marketing costs and bad debt expense.

Consolidated Results of Operations

The following table sets forth selected statements of operations data and such data as a percentage of revenues for the years indicated:

	For the year ended December 31,					
(dollars in thousands)	2016		2015		2014	
Contract revenues	$1,142,487	100.0%	$1,061,681	100.0%	$943,967	100.0%
Contract costs	1,007,764	88.2	939,340	88.5	811,553	86.0
Gross profit	134,723	11.8	122,341	11.5	132,414	14.0
Selling, general and administrative expenses	96,424	8.4	79,186	7.5	73,818	7.8
Amortization of intangible assets	886	0.1	571		334	
Gain on sale of property and equipment	(1,341)	(0.1)	(2,257)	(0.2)	(142)	
Income from operations	38,754	3.4	44,841	4.2	58,404	6.2
Other income (expense)						
Interest income	5		25		106	
Interest expense	(1,299)	(0.1)	(741)		(722)	(0.1)
Other income, net	885	0.1	174		162	
Income before provision for income taxes	38,345	3.4	44,299	4.2	57,950	6.1
Income tax expense	16,914	1.5	16,997	1.6	21,406	2.2
Net income	$21,431	1.9 %	$27,302	2.6 %	$36,544	3.9 %

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Revenues. Revenues increased $80.8 million, or 7.6%, to $1.142 billion for the year ended December 31, 2016 from $1.062 billion for the year ended December 31, 2015. The increase in revenue was primarily due to organic and acquisitive growth, partially offset by a decline in revenue in some geographic areas.

Gross margin. Gross margin increased to 11.8% for the year ended December 31, 2016 from 11.5% for the year ended December 31, 2015. The increase in gross margin was largely due to improved performance on certain jobs as well as favorable close-outs on several projects, partially offset by costs associated with unrecognized revenue related to pending project claims and change orders. We also experienced inclement weather in some of our markets and lower productivity on other jobs. Changes in estimates of gross profit on certain projects resulted in gross margin decreases of 0.2% for the year ended December 31, 2016. Changes in estimates of gross profit on certain projects, including large claims or change orders, resulted in gross margin increases of 0.5% for the year ended December 31, 2015.

Gross profit. Gross profit increased $12.4 million, or 10.1%, to $134.7 million for year ended December 31, 2016 from $122.3 million for the year ended December 31, 2015, primarily due to higher revenue and improved gross margin.

Selling, general and administrative expenses. Selling, general and administrative expenses (SG&A), which were $96.4 million for the year ended December 31, 2016, increased $17.2 million from $79.2 million for the year ended

December 31, 2015. The increase in SG&A was primarily due to $9.4 million of costs associated with our organic and acquisitive growth strategies. Bonus and profit sharing costs as well as personnel costs to support our overall growth increased in 2016. We also incurred $1.0 million of costs associated with responding to activist investors. The impact of these increases was partially offset by a $1.4 million cost related to an executive officer transition in the fourth quarter of 2015. As a percentage of revenues, SG&A increased to 8.4% for the year ended December 31, 2016 from 7.5% for the year ended December 31, 2015.

TABLE OF CONTENTS

Gain on sale of property and equipment. Gains from the sale of property and equipment in the year ended December 31, 2016 were $1.3 million compared to $2.3 million in the year ended December 31, 2015. Gains from the sale of property and equipment are attributable to routine sales of property and equipment no longer useful or valuable to our ongoing operations.

Interest expense. Interest expense was $1.3 million for the year ended December 31, 2016 compared to $0.7 million in the year ended December 31, 2015. This increase is primarily attributable to the borrowings on our line of credit during the year ended December 31, 2016.

Other Income. Other income was $0.9 million for the year ended December 31, 2016 compared to $0.2 million in the year ended December 31, 2015. This increase is primarily attributable to contingent consideration related to margin guarantees of $1.4 million recognized on certain contracts associated with the acquisition of WPE.

Income tax expense. The provision for income taxes was $16.9 million for the year ended December 31, 2016, with an effective tax rate of 44.1%, compared to a provision of $17.0 million for the year ended December 31, 2015, with an effective tax rate of 38.4%. The increase in the effective tax rate was primarily caused by the year-to-date impact of lower domestic activities deductions and changes in the mix of business between states. In addition, our effective tax rate increased due to the deferred tax balance true-up for changes in the blended state rate, as well as the valuation allowance for the deferred tax assets on certain Canadian subsidiaries.

Net income. Net income decreased to $21.4 million for the year ended December 31, 2016 from $27.3 million for the year ended December 31, 2015. The decrease was primarily for the reasons stated above.

Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment net sales as a percentage of total net sales and segment operating income as a percentage of segment net sales:

	For the Year Ended December 31,			
	2016		2015	
(dollars in thousands)	Amount	Percent	Amount	Percent
Contract revenues:				
Transmission & Distribution	$ 818,972	71.7 %	$ 794,898	74.9 %
Commercial & Industrial	323,515	28.3	266,783	25.1
Total	$ 1,142,487	100.0	$ 1,061,681	100.0
Operating income (loss):				
Transmission & Distribution	$ 63,459	7.7	$ 63,155	7.9
Commercial & Industrial	13,920	4.3	13,592	5.1
Total	77,379	6.8	76,747	7.2
Corporate	(38,625)	(3.4)	(31,906)	(3.0)
Consolidated	$ 38,754	3.4 %	$ 44,841	4.2 %

Transmission & Distribution

Revenues for our T&D segment for the year ended December 31, 2016 were $819.0 million compared to $794.9 million for the year ended December 31, 2015, an increase of $24.1 million, or 3.0%. The increase in revenue was primarily due to organic and acquisitive growth, partially offset by a decline in revenue in some geographic areas.

38

Revenues from transmission projects represented 75.8% and 73.9% of T&D segment revenue for the years ended December 31, 2016 and 2015, respectively. Additionally, for the year ended December 31, 2016, measured by revenue in our T&D segment, we provided 56.9% of our T&D services under fixed-price contracts, as compared to 48.4% for the year ended December 31, 2015.

Operating income for our T&D segment for the year ended December 31, 2016 was $63.4 million compared to $63.1 million for the year ended December 31, 2015, an increase of $0.3 million, or 0.5%. The slight increase in operating income was primarily due to operating income associated with our expansion in new geographic markets and favorable project close-outs, offset by lower margins due to unrecognized revenue on a pending project claim and change orders, inclement weather in some of our markets and lower productivity on other jobs. Operating income, as a percentage of revenues, for our T&D segment decreased to 7.7% for the year ended December 31, 2016 from 7.9% for the year ended December 31, 2015.

Commercial & Industrial

Revenues for our C&I segment for the year ended December 31, 2016 were $323.5 million compared to $266.8 million for the year ended December 31, 2015, an increase of $56.7 million, or 21.3%, primarily due to organic and acquisitive expansion in new markets. For the year ended December 31, 2016, measured by revenue in our C&I segment, we provided 73.4% of our services under fixed-price contracts, as compared to 71.6% for the year ended December 31, 2015.

Operating income for our C&I segment for the year ended December 31, 2016 was $13.9 million compared to $13.6 million for the year ended December 31, 2015, an increase of $0.3 million, or 2.4%. The year-over-year increase in operating income compared to the year ended December 31, 2015 was primarily attributable to higher revenues and margins experienced on certain projects, partially offset by productivity below our previous estimates and unrecognized revenue related to a pending project claim. Our expansion in new geographic markets provided positive operating income, albeit at a lower operating percentage of revenue, due to slower market penetration experienced in certain geographic areas and contingent consideration related to margin guarantees of $1.4 million classified as other income. As a percentage of revenues, operating income for our C&I segment decreased to 4.3% for the year ended December 31, 2016 from 5.1% for the year ended December 31, 2015.

Corporate

The increase in corporate expenses in 2016 was primarily attributable to higher bonus and profit sharing costs as well as additional support costs. Additionally we incurred $1.0 million of costs associated with activist investor activities. The impact of these increases was partially offset by a $1.4 million cost related to an executive officer transition in the fourth quarter of 2015.

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Revenues. Revenues increased $117.7 million, or 12.5%, to $1.062 billion for the year ended December 31, 2015 from $944.0 million for the year ended December 31, 2014. The increase was primarily due to higher T&D revenues and the acquisition of ESB. We benefited from increased spending by our customers and organic growth from new geographic markets, however, our project mix of shorter-duration projects increased while the number of large, multi-year transmission projects declined.

Gross margin. Gross margin decreased to 11.5% for the year ended December 31, 2015 from 14.0% for the year ended December 31, 2014. Gross margin in 2014 benefited from favorable closeouts on several large, multi-year transmission projects. The remaining year-over-year decline in gross margin was primarily due to lower bid margins caused by increased competition in many of our markets and an increase in the number of shorter duration projects (which affects fleet utilization, labor productivity and mobilization and demobilization costs). Additionally, some of our jobs underperformed in 2015 due to labor productivity below previous estimates as a result of excessive labor turnover, rework on certain jobs and severe weather conditions in some of our markets. Changes in estimates of gross profit on certain projects resulted in gross margin increases of 0.5% for the year ended December 31, 2015. Changes in estimates of gross profit on certain projects, including several large claims or change orders, resulted in gross margin increases of 1.9% for the year ended December 31, 2014.

TABLE OF CONTENTS

Gross profit. Gross profit decreased $10.1 million, or 7.6%, to $122.3 million for year ended December 31, 2015 from $132.4 million for the year ended December 31, 2014, primarily due to lower gross margin partially offset by higher revenues.

Selling, general and administrative expenses. Selling, general and administrative expenses, which were $79.2 million for the year ended December 31, 2015, increased $5.4 million from $73.8 million for the year ended December 31, 2014. The increase in selling, general and administrative expenses for the year ended December 31, 2015 as compared to the year ended December 31, 2014 was primarily due to higher personnel and overhead costs to support our organic and acquisitive geographic market expansion, the impact of reversing a $2.3 million legal reserve in the fourth quarter in 2014, $1.4 million related to an executive officer transition and costs associated with the ESB and HCL acquisitions, partially offset by lower bonus and profit sharing costs. As a percentage of revenues, selling, general and administrative expenses decreased to 7.5% for the year ended December 31, 2015 from 7.8% for the year ended December 31, 2014.

Gain on sale of property and equipment. Gains from the sale of property and equipment in the year ended December 31, 2015 were $2.3 million compared to $0.1 million in the year ended December 31, 2014. Gains from the sale of property and equipment are attributable to routine sales of property and equipment no longer useful or valuable to our ongoing operations.

Interest expense. Interest expense was $0.7 million for both of the years ended December 31, 2015 and 2014.

Income tax expense. The provision for income taxes was $17.0 million for the year ended December 31, 2015, with an effective tax rate of 38.4%, compared to a provision of $21.4 million for the year ended December 31, 2014, with an effective tax rate of 36.9%. The increase in the effective rate was primarily caused by changes in the mix of business between states and the impact of the foreign tax differential.

Net income. Net income decreased to $27.3 million for the year ended December 31, 2015 from $36.5 million for the year ended December 31, 2014. The decrease was primarily for the reasons stated above.

Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment net sales as a percentage of total net sales and segment operating income as a percentage of segment net sales:

	For the Year Ended December 31,			
	2015		2014	
(dollars in thousands)	Amount	Percent	Amount	Percent
Contract revenues:				
Transmission & Distribution	$ 794,898	74.9 %	$ 699,595	74.1 %
Commercial & Industrial	266,783	25.1	244,372	25.9
Total	$ 1,061,681	100.0	$ 943,967	100.0
Operating income (loss):				
Transmission & Distribution	$ 63,155	7.9	$ 75,439	10.8
Commercial & Industrial	13,592	5.1	16,542	6.8
Total	76,747	7.2	91,981	9.7
Corporate	(31,906)	(3.0)	(33,577)	(3.5)

Consolidated	$	44,841	4.2	%	$ 58,404	6.2 %

Transmission & Distribution

Revenues for our T&D segment for the year ended December 31, 2015 were $794.9 million compared to $699.6 million for the year ended December 31, 2014, an increase of $95.3 million or 13.6%. While we benefited from increased spending by our customers, our project mix shifted away from large, multi-year transmission projects and included more shorter-duration projects.

40

Revenues from transmission projects represented 73.9% and 77.8% of T&D segment revenue for the years ended December 31, 2015 and 2014, respectively. Additionally, for the year ended December 31, 2015, measured by revenue in our T&D segment, we provided 48.4% of our T&D services under fixed-price contracts, as compared to 53.1% for the year ended December 31, 2014.

Operating income for our T&D segment for the year ended December 31, 2015 was $63.1 million compared to $75.4 million for the year ended December 31, 2014. Operating income in 2014 benefited from favorable closeouts on several large, multi-year transmission projects. The remaining year-over-year decline in operating income was primarily due to lower bid margins caused by increased competition in many of our markets and an increase in the number of shorter duration projects (which affects fleet utilization, labor productivity and mobilization and demobilization costs). Additionally, some of our jobs underperformed in 2015 due to labor productivity below previous estimates, incremental costs associated with expansion into new geographic markets and severe weather conditions in some of our markets, partially offset by higher revenues. Operating income, as a percentage of revenues, for our T&D segment decreased to 7.9% for the year ended December 31, 2015 from 10.8% for the year ended December 31, 2014.

Commercial & Industrial

Revenues for our C&I segment for the year ended December 31, 2015 were $266.8 million compared to $244.4 million for the year ended December 31, 2014, an increase of $22.4 million or 9.2%, due primarily to the acquisition of ESB. For the year ended December 31, 2015, measured by revenue in our C&I segment, we provided 71.6% of our services under fixed-price contracts, as compared to 41.7% for the year ended December 31, 2014.

Operating income for our C&I segment for the year ended December 31, 2015 was $13.6 million compared to $16.5 million for the year ended December 31, 2014, a decrease of $2.9 million, or 17.6%. The year-over-year decline in operating income compared to the year ended December 31, 2014 was primarily due to lower bid margins caused by increased competition in many of our markets and certain underperforming jobs due to labor productivity below previous estimates as a result of excessive labor turnover and rework and incremental costs associated with expansion into new geographic markets, partially offset by higher revenues. As a percentage of revenues, operating income for our C&I segment decreased to 5.1% for the year ended December 31, 2015 from 6.8% for the year ended December 31, 2014.

Corporate

The decrease in corporate expenses in 2015 was primarily attributable to lower bonus and profit sharing costs.

Liquidity and Capital Resources

As of December 31, 2016 and 2015, we had working capital of $129.3 million and $123.6 million, respectively. We define working capital as current assets less current liabilities. During the year ended December 31, 2016, operating activities of our business provided net cash of $54.5 million, compared to $43.0 million of cash provided for the year ended December 31, 2015. Cash flow from operations is primarily influenced by demand for our services, operating margins, timing of contract performance and the type of services we provide to our customers. Net cash provided by operating activities is driven by our net income adjusted for changes in operating assets and liabilities and non-cash items including, but not limited to, depreciation and amortization, stock-based compensation, deferred income taxes, and the gain on sale of property and equipment. The change in net cash provided by operating activities was primarily due to a $12.9 million favorable change in operating assets and liabilities and a $4.5 million increase in non-cash items which were partially offset by a decrease of $5.9 million in net income. The change in operating assets and liabilities relates to an increased use of funds of $13.3 million from our key operating assets and liabilities (accounts receivable, net , including retention; costs and estimated earnings in excess of billings on uncompleted contracts; accounts payable; and billings in excess of costs and estimated earnings on uncompleted contracts) primarily related to increased volume and timing of work along with timing of contractual billing terms on certain projects. This was more than offset by year-over-year changes in the timing and amount of accrued payroll costs and a decrease in refundable taxes.

TABLE OF CONTENTS

During the years ended December 31, 2016 and 2015, we used net cash of $34.1 million and $56.9 million, respectively, in investing activities. The $34.1 million of cash used in investing activities in the year ended December 31, 2016 consisted of $25.3 million for capital expenditures and $12.1 million to acquire WPE, partially offset by $3.3 million of proceeds from the sale of equipment. The $56.9 million of cash used in investing activities in the year ended December 31, 2015 consisted of $46.6 million for capital expenditures and $13.1 million to acquire ESB and HCL, partially offset by $2.8 million of proceeds from the sale of equipment.

During the years ended December 31, 2016 and 2015, we used net cash of $35.5 million and $23.9 million, respectively, in financing activities. The $35.5 million of cash used in financing activities in the year ended December 31, 2016, consisted primarily of $101.5 million of cash used to purchase shares of our common stock, as well as $1.0 million of cash used to pay debt issuance costs related to our new line of credit. These uses of cash were partially offset by borrowings of $59.1 million, $6.2 million of proceeds from stock options and $2.3 million of tax benefits related to our stock compensation programs. The $23.9 million of cash used in financing activities in the year ended December 31, 2015 consisted of $27.6 million of cash used to purchase shares of our common stock, which was partially offset by proceeds from stock options and tax benefits related to our stock compensation programs.

During 2016, our Board of Directors approved two amendments to our share repurchase program, which increased the program from $67.5 million to $162.5 million and extended the term of the program through August 15, 2017. As of December 31, 2016, we had $20.0 million of remaining availability to purchase shares under the Repurchase Program.

We anticipate that our $167.2 million borrowing availability under our 2016 Facility, and future cash flow from operations will provide sufficient cash to enable us to meet our future operating needs, debt service requirements, capital expenditures, and acquisition and joint venture opportunities. We expect that our repurchases of common stock will be at lower levels than experienced in 2015 and 2016. Although we believe that we have adequate cash and availability under our Credit Agreement to meet our liquidity needs, any large projects or acquisitions may require additional capital.

We have not historically paid dividends and currently do not expect to pay dividends.

Debt Instruments

On June 30, 2016, we entered into a five-year amended and restated credit agreement (the Credit Agreement) with a syndicate of banks led by JPMorgan Chase Bank, N.A. and Bank of America, N.A. The Credit Agreement provides for a facility of $250 million (the 2016 Facility) that may be used for revolving loans and letters of credit. The 2016 Facility also allows for revolving loans and letters of credit in Canadian dollars and other currencies, up to the U.S. dollar equivalent of $50 million. We have an expansion option to increase the commitments under the 2016 Facility or enter into incremental term loans, subject to certain conditions, by up to an additional $100 million upon receipt of additional commitments from new or existing lenders. Subject to certain exceptions, the 2016 Facility is secured by substantially all of our assets and the assets of our domestic subsidiaries and by a pledge of substantially all of the capital stock of our domestic subsidiaries and 65% of the capital stock of our direct foreign subsidiaries. Additionally, subject to certain exceptions, our domestic subsidiaries also guarantee the repayment of all amounts due under the Credit Agreement. If an event of default occurs and is continuing, on the terms and subject to the conditions set forth in the Credit Agreement, amounts outstanding under the 2016 Facility may be accelerated and may become or be declared immediately due and payable. Borrowings under the Credit Agreement were used to refinance existing debt and are expected to be used for working capital, capital expenditures, stock repurchases, acquisitions and other general corporate purposes.

Amounts borrowed under the Credit Agreement in U.S. dollars bear interest, at our option, at a rate equal to either (1) the Alternate Base Rate (as defined in the Credit Agreement), plus an applicable margin ranging from 0.00% to 1.00%; or (2) Adjusted LIBO Rate (as defined in the Credit Agreement) plus an applicable margin ranging from 1.00% to 2.00%. Amounts borrowed under the Credit Agreement in any currency other than U.S. dollars bear interest at a rate equal to the Adjusted LIBO Rate plus an applicable margin ranging from 1.00% to 2.00%. The applicable margin is determined based on our consolidated Leverage Ratio (as defined in the Credit Agreement). Letters of credit issued under the 2016 Facility are subject to a letter of credit fee of 1.125% to 2.125% for standby or commercial letters of credit or 0.625% to 1.125% for performance letters of credit, based on the our consolidated Leverage Ratio. We are subject to a commitment fee of 0.20% to 0.375% based on our consolidated Leverage Ratio on any unused portion of the 2016 Facility. The Credit Agreement restricts certain types of payments when our consolidated Leverage Ratio exceeds 2.25.

Under the Credit Agreement, we are subject to certain financial covenants and must maintain a maximum consolidated Leverage Ratio of 3.0 and a minimum interest coverage ratio of 3.0, which is defined in the Credit Agreement as Consolidated EBITDA (as defined in the Credit Agreement) divided by interest expense. The Credit Agreement also contains a number of covenants, including limitations on asset sales, investments, indebtedness and liens. In connection with any permitted acquisition where the total consideration exceeds $50 million, we may request that the maximum permitted consolidated Leverage Ratio increase from 3.0 to 3.5. Any such increase, if given effect, shall begin in the quarter in which such permitted acquisition is consummated and shall continue in effect for four consecutive fiscal quarters.

Prior to the amendment and restatement of the Credit Agreement, we had a five-year syndicated credit agreement with a facility of $175.0 million (the 2011 Facility). The 2011 Facility provided funds for revolving loans and the issuance of letters of credit and up to $25.0 million for swingline loans.

As of December 31, 2016, we had $59.1 million of debt outstanding under the 2016 Facility and irrevocable standby letters of credit outstanding of approximately $23.7 million. As of December 31, 2015, we had no debt outstanding and irrevocable standby letters of credit outstanding of approximately $19.3 million.

Off-Balance Sheet Arrangements

As is common in our industry, we enter into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected in our balance sheets. Our significant off-balance sheet transactions include liabilities associated with non-cancelable operating leases, letter of credit obligations and bond guarantees entered into in the normal course of business. We have not engaged in any off-balance sheet financing arrangements through special purpose entities.

Leases

We enter into non-cancelable leases for some of our facility, vehicle and equipment needs. These leases allow us to conserve cash by paying a monthly lease rental fee for the use of facilities, vehicles and equipment rather than purchasing them. Leases are accounted for as operating or capital leases, depending on the terms of the lease. We may decide to cancel or terminate a lease before the end of its term, in which case we are typically liable to the lessor for the remaining lease payments under the term of the lease. At December 31, 2016, we had no leases with residual value guarantees.

We typically have purchase options on the equipment underlying our long-term operating leases and many of our short-term rental arrangements. We exercise some of these purchase options when the need for equipment is on-going and the purchase option price is attractive.

Purchase Commitments for Construction Equipment

As of December 31, 2016, we had approximately $8.6 million in outstanding purchase obligations for certain construction equipment to be paid, with cash outlay scheduled to occur over the first four months of 2017.

Letters of Credit

Some of our vendors require letters of credit to ensure reimbursement for amounts they are disbursing on our behalf, such as to beneficiaries under our insurance programs. In addition, from time-to-time certain customers require us to post letters of credit to ensure payment to our subcontractors and vendors under those contracts and to guarantee performance under our contracts. Such letters of credit are generally issued by a bank or similar financial institution. The letter of credit commits the issuer to pay specified amounts to the holder of the letter of credit if the holder claims that we have failed to perform specified actions in accordance with the terms of the letter of credit. If this were to occur, we would be required to reimburse the issuer of the letter of credit. Depending on the circumstances of such a reimbursement, we may also have to record a charge to earnings for the reimbursement. Currently, we do not believe that it is likely that any claims will be made under any letter of credit.

TABLE OF CONTENTS

At December 31, 2016, we had $23.7 million in irrevocable standby letters of credit outstanding under our Credit Agreement at an interest rate of 1.125%, including $17.6 million related to the Company s payment obligation under its insurance programs and approximately $6.1 million related to contract performance obligations. As of December 31, 2015, we had irrevocable standby letters of credit outstanding of approximately $19.3 million, including $17.5 million related to the Company s payment obligation under its insurance programs and approximately $1.8 million related to contract performance obligations.

Performance and Payment Bonds

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a financial institution known as a surety. These bonds provide a guarantee to the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. If we fail to perform under a contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the surety for any expenses or outlays it incurs. Under our continuing indemnity and security agreements with our sureties, with the consent of our lenders under the Credit Agreement, we have granted security interests in certain of our assets to collateralize our obligations to the surety. We may be required to post letters of credit or other collateral in favor of the surety or our customers. Posting letters of credit in favor of the surety or our customers reduces the borrowing availability under the Credit Agreement. To date, we have not been required to make any reimbursements to any of our sureties for bond-related costs. We believe that it is unlikely that we will have to fund significant claims under our surety arrangements. As of December 31, 2016, an aggregate of approximately $887.7 million in original face amount of bonds issued by our sureties were outstanding. Our estimated remaining cost to complete these bonded projects was approximately $58.2 million as of December 31, 2016.

Indemnities

From time to time, pursuant to our service arrangements, we indemnify our customers for claims related to the services we provide under those service arrangements. These indemnification obligations may subject us to indemnity claims, liabilities and related litigation. We are not aware of any material unrecorded liabilities for asserted claims in connection with these indemnification obligations.

Contractual Obligations

As of December 31, 2016, our future contractual obligations are as follows:

(in thousands)	Total	Less than 1 Year	1 3 Years	3 5 Years	More than 5 Years	Other
Short and long term debt	$ 59,070	$	$	$ 59,070	$	$
Operating lease obligations	9,205	2,519	4,107	1,967	612	
Capital lease obligations	5,260	1,220	2,440	1,600		
Purchase obligations	8,558	8,558				
Income tax contingencies	301					301
Total	$ 82,394	$ 12,297	$ 6,547	$ 62,637	$ 612	$ 301

Excluded from the above table are interest and fees associated with our short term and long term debt and irrevocable standby letters of credit outstanding under our 2016 Facility, because the applicable interest rates and fees are variable. We have also excluded our multi-employer pension plan contributions, which are determined annually, based on our union employee payrolls, and which cannot be determined for future periods in advance.

The amount of income tax contingencies has been presented in the Other column in the table above due to the fact that the period of future payment cannot be reliably estimated. For further information, refer to Note 10 to the Financial Statements.

44

TABLE OF CONTENTS

Concentration of Credit Risk

We grant trade credit under contractual payment terms, generally without collateral, to our customers, which include high credit quality electric utilities, governmental entities, general contractors and builders, owners and managers of commercial and industrial properties. Consequently, we are subject to potential credit risk related to changes in business and economic factors. However, we generally have certain statutory lien rights with respect to services provided. Under certain circumstances such as foreclosures or negotiated settlements, we may take title to the underlying assets in lieu of cash in settlement of receivables. As of December 31, 2016, one customer individually exceeded 10.0% of accounts receivable with approximately 11.2% of the total accounts receivable amount (excluding the impact of allowance for doubtful accounts). As of December 31, 2015, one customer individually exceeded 10.0% of accounts receivable with approximately 13.0% of the total accounts receivable amount (excluding the impact of allowance for doubtful accounts). Management believes the terms and conditions in our contracts, billing and collection policies are adequate to minimize the potential credit risk.

Inflation

Inflation did not have a significant effect on our results during the years ended December 31, 2016, 2015 or 2014.

New Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 1 Summary of Significant Accounting Policies in the Notes to the Financial Statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates. We believe the following accounting policies affect our more significant judgments and estimates used in the preparation of our Financial Statements:

Revenue Recognition. Revenues under long-term contracts are accounted for under the percentage-of-completion method of accounting. Under the percentage-of-completion method, we estimate profit as the difference between total estimated revenue and total estimated cost of a contract and recognize that profit over the contract term based on costs incurred under the cost-to-cost method.

Revenues from our construction services are performed under fixed-price, time-and-equipment, time-and-materials, unit-price, and cost-plus fee contracts. For fixed-price and unit-price contracts, we use the ratio of cost incurred to date on the contract (excluding uninstalled direct materials) to management s estimate of the contract s total cost, to determine the percentage of completion on each contract. This method is used as management considers expended costs to be the best available measure of progression of these contracts. Contract cost includes all direct costs on contracts, including labor and material, subcontractor costs and those indirect costs related to contract performance, such as supplies, fuel, tool repairs and depreciation. We recognize revenues from construction services with fees based on time-and-materials, or cost-plus fee as the services are performed and amounts are earned. If contracts include contract incentive or bonus provisions, they are included in estimated contract revenues only when the achievement of such incentive or bonus is reasonably certain.

Contract costs incurred to date and expected total contract costs are continuously monitored during the term of the contract. Changes in job performance, job conditions and final contract settlements are factors that influence management s assessment of total contract value and the total estimated costs to complete those contracts and therefore, our profit recognition. These changes, which include contracts with estimated costs in excess of estimated revenues, are recognized in contract costs in the period in which the revisions are determined. At the point we anticipate a loss on a contract, we estimate the ultimate loss through completion and recognize that loss in the period in which the possible loss was identified.

A change order is a modification to a contract that changes the provisions of the contract, typically resulting from changes in scope, specifications, design, manner of performance, facilities, equipment, materials, sites, or period of completion of the work under the contract. A claim is an amount in excess of the agreed-upon contract price that the Company seeks to collect from its clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders that are either in dispute or are unapproved as to both scope and price, or other causes. Costs related to change orders and claims are recognized when incurred. Revenue from a change order is included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and can be reliably estimated. Revenue from a claim is included in total estimated contract revenues, only to the extent that contract costs related to the claim have been incurred, when it is probable that the claim will result in an addition to contract value which can be reliably estimated. No profit is recognized on a claim until final settlement occurs.

The accuracy of our revenue and profit recognition in a given period is dependent on the accuracy of our estimates of the cost to complete each project. Cost estimates for all of our significant projects use a detailed bottoms up approach and we believe our experience typically allows us to provide materially reliable estimates. There are a number of factors that can contribute to changes in estimates of contract cost and profitability. The most significant of these include, among others:

- the completeness and accuracy of the original bid;
- costs associated with scope changes, change orders or claims;
- costs of labor and/or materials;
- extended overhead due to owner, weather and other delays;
- subcontractor performance issues;
- changes in productivity expectations;
- site conditions that differ from those assumed in the original bid (to the extent contract remedies are unavailable);
- the availability and skill level of workers in the geographic location of the project; and
- a change in the availability and proximity of equipment and materials.

The foregoing factors as well as the stage of completion of contracts in process and the mix of contracts at different margins may cause fluctuations in gross profit between periods.

We provide warranties to customers on a basis customary to the industry; however, the warranty period does not typically exceed one year. Historically, warranty claims have not been material.

Total revenues do not include sales tax as we consider ourselves a pass-through conduit for collecting and remitting sales taxes. Sales tax and value added tax collected from customers is included in other current liabilities on our consolidated balance sheets.

Insurance. We carry insurance policies, which are subject to certain deductibles, for workers compensation, general liability, automobile liability and other coverages. Our deductible for each line of coverage is up to $1.0 million, except for certain health benefit plans, which are subject to a deductible up to $0.2 million, for qualified individuals. Losses up to the deductible amounts are accrued based upon our estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported.

The insurance and claims accruals are based on known facts, actuarial estimates and historical trends. While recorded accruals are based on the ultimate liability, which includes amounts in excess of the deductible, a corresponding receivable for amounts in excess of the deductible is included in current assets in the consolidated balance sheets.

Stock-Based Compensation. We determine compensation expense for stock-based awards based on the estimated fair values at the grant date and recognize the related compensation expense over the vesting period. We use the straight-line attribution method to recognize compensation expense related to stock-based awards, such as restricted stock and phantom stock, that have only service conditions. This method recognizes stock compensation expense on a straight-line basis over the requisite service period for the entire award. We recognize compensation expense related to performance awards that vest based on internal performance metrics and service conditions on a straight-line basis over the service period, but adjust inception-to-date expense based upon our determination of the potential achievement of the performance target at each reporting date. We recognize compensation expense related to performance awards with market-based performance metrics on a straight-line basis over the requisite service period. Stock-based compensation expense is adjusted for changes in estimated and actual forfeitures. We use historical data to estimate the forfeiture rate that we use; however, these estimates are subject to change and may impact the value that will ultimately be recognized as stock compensation expense. Shares issued under the Company s stock-based compensation program are taken out of authorized but unissued shares.

Goodwill and Intangibles. Goodwill and intangible assets with indefinite lives are not amortized. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. We review goodwill and intangible assets with indefinite lives for impairment on an annual basis at the beginning of the fourth quarter, or when circumstances change, such as a significant adverse change in the business climate or the decision to sell a business, both of which would indicate that impairment may have occurred. We perform a qualitative assessment to determine whether it is necessary to perform a two-step goodwill impairment test. The qualitative assessment considers financial, industry, segment and macroeconomic factors. If the qualitative assessment indicates a potential for impairment, the two-step method is used to determine if impairment exists. The two-step method begins with a comparison of the fair value of the reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the implied fair value and carrying value of the goodwill of that reporting unit. The company also performs a qualitative assessment on intangible assets with indefinite lives. If the qualitative assessment indicates a potential for impairment, a quantitative impairment test would be performed to compare the fair value of the indefinite-lived intangible asset with its carrying value. If the carrying value of goodwill or other indefinite lived assets exceeds its implied fair value, an impairment charge would be recorded in the statement of operations.

In 2015, we determined, based on our qualitative analysis, that it was appropriate to perform a two-step analysis. The first step involves a comparison of the fair value of the reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the implied fair value and carrying value of the goodwill of that reporting unit. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recorded in the statement of operations. The step one analysis did not indicate that our goodwill or indefinite lived intangible assets were impaired. As a result, no step two analysis was performed.

As a result of the annual qualitative review process in 2016 and 2014, we determined it was not necessary to perform a two-step analysis.

Accounts Receivable and Allowance for Doubtful Accounts. We do not generally charge interest to our customers, and we carry our customer receivables at their face amounts, less an allowance for doubtful accounts. Included in accounts receivable are balances billed to customers pursuant to retainage provisions in certain contracts that are due upon completion of the contracts and acceptance by the customer, or earlier, as provided by the contract. Based on our experience in recent years, the majority of customer balances at each balance sheet date are collected within twelve months. As is common practice in the industry, we classify all accounts receivable, including retainage, as current assets. The contracting cycle for certain long-term contracts may extend beyond one year, and accordingly, collection of retainage on those contracts may extend beyond one year.

47

We grant trade credit, on a non-collateralized basis (with the exception of lien rights against the property in certain cases) to our customers, and we are subject to potential credit risk related to changes in business and overall economic activity. We analyze specific accounts receivable balances, historical bad debts, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. In the event that a customer balance is deemed to be uncollectible the account balance is written-off against the allowance for doubtful accounts.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As of December 31, 2016, we were not parties to any derivative instruments. We did not use any material derivative financial instruments during the years ended December 31, 2016, 2015 or 2014.

Borrowings under our 2016 Facility are based upon an interest rate that will vary depending upon the prime rate, federal funds rate and LIBOR. If the prime rate, federal funds rate or LIBOR rises, our interest payment obligations will increase and have a negative effect on our cash flow and financial condition. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest when we have outstanding borrowings. If market rates of interest on all our revolving debt as of December 31, 2016, which is subject to variable rates, permanently increased by 1%, the increase in interest expense on all revolving debt would decrease future income before provision for income taxes and cash flows by approximately $0.6 million annually. If market rates of interest on all our revolving debt, which is subject to variable rates as of December 31, 2016, permanently decreased by 1%, the decrease in interest expense on all debt would increase future income before provision for income taxes and cash flows by the same amount.

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our Financial Statements for external purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2016 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurances and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management s assessment of and conclusion on the Company s internal control over financial reporting as of December 31, 2016 excluded the internal control over financial reporting of Western Pacific Enterprises Ltd., which was acquired on October 28, 2016. Western Pacific Enterprises Ltd., represented a total of approximately 4.8% and 1.5% of total assets and net assets, respectively, as of December 31, 2016, and 0.8% and (2.4)% of contract revenues and income from operations, respectively, for the year then ended. Such exclusion is in accordance with Securities and Exchange Commission guidance that the assessment of a recently acquired business may be omitted in management s report on internal controls over financial reporting, provided the acquisition took place during the fiscal year being assessed.

Ernst & Young LLP, an independent registered public accounting firm, who audited and reported on the Financial Statements included in this report on Form 10-K, has audited the effectiveness of MYR Group s internal control over financial reporting as of December 31, 2016 as stated in their report which appears herein.

March 9, 2017

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm

To Board of Directors and Stockholders of
MYR Group Inc.

We have audited the accompanying consolidated balance sheets of MYR Group Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MYR Group Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MYR Group Inc. s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 9, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
March 9, 2017

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm

To Board of Directors and Stockholders of
MYR Group Inc.

We have audited MYR Group Inc. s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). MYR Group Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management s Report on Internal Control over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Western Pacific Enterprises Ltd., which is included in the 2016 consolidated financial statements of MYR Group Inc. and constituted approximately 4.8% and 1.5% of total assets and net assets, respectively, as of December 31, 2016, and 0.8% and (2.4)% of contract revenues and income from operations, respectively, for the year then ended. Our audit of internal control over financial reporting of MYR Group Inc. also did not include an evaluation of the internal control over financial reporting of Western Pacific Enterprises Ltd.

In our opinion, MYR Group Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of MYR Group Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2016 of MYR Group Inc. and our report dated March 9, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
March 9, 2017

52

TABLE OF CONTENTS

MYR GROUP INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$23,846	$39,797
Accounts receivable, net of allowances of $432 and $376, respectively	234,642	187,235
Costs and estimated earnings in excess of billings on uncompleted contracts	69,950	51,486
Receivable for insurance claims in excess of deductibles	18,477	11,290
Refundable income taxes	2,474	5,617
Other current assets	8,202	7,942
Total current assets	357,591	303,367
Property and equipment, net of accumulated depreciation of $209,466 and $181,575, respectively	154,891	160,678
Goodwill	46,781	47,124
Intangible assets, net of accumulated amortization of $4,684 and $3,798, respectively	11,566	11,362
Other assets	2,666	2,394
Total assets	$573,495	$524,925
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current portion of capital lease obligations	$1,085	$
Accounts payable	99,942	73,300
Billings in excess of costs and estimated earnings on uncompleted contracts	42,321	40,614
Accrued self insurance	42,584	36,967
Other current liabilities	42,382	28,856
Total current liabilities	228,314	179,737
Deferred income tax liabilities	18,565	14,382
Long-term debt	59,070	
Capital lease obligations, net of current maturities	3,833	
Other liabilities	539	926
Total liabilities	310,321	195,045
Commitments and contingencies		
Stockholders equity		
Preferred stock $0.01 par value per share; 4,000,000 authorized shares; none issued and outstanding at December 31, 2016 and December 31, 2015		
Common stock $0.01 par value per share; 100,000,000 authorized shares; 16,333,139 and 19,969,347 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	162	198
Additional paid-in capital	140,100	161,342
Accumulated other comprehensive income (loss)	(433)	116
Retained earnings	123,345	168,224

Total stockholders equity	263,174	329,880
Total liabilities and stockholders equity	$573,495	$524,925

The accompanying notes are an integral part of these Financial Statements.

53

TABLE OF CONTENTS

MYR GROUP INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Year ended December 31,		
(in thousands, except per share data)	2016	2015	2014
Contract revenues	$1,142,487	$1,061,681	$943,967
Contract costs	1,007,764	939,340	811,553
Gross profit	134,723	122,341	132,414
Selling, general and administrative expenses	96,424	79,186	73,818
Amortization of intangible assets	886	571	334
Gain on sale of property and equipment	(1,341)	(2,257)	(142)
Income from operations	38,754	44,841	58,404
Other income (expense):			
Interest income	5	25	106
Interest expense	(1,299)	(741)	(722)
Other income, net	885	174	162
Income before provision for income taxes	38,345	44,299	57,950
Income tax expense	16,914	16,997	21,406
Net income	$21,431	$27,302	$36,544
Income per common share:			
Basic	$1.25	$1.33	$1.73
Diluted	$1.23	$1.30	$1.69
Weighted average number of common shares and potential common shares outstanding:			
Basic	17,109	20,577	20,922
Diluted	17,461	21,038	21,466
Net income	$21,431	$27,302	$36,544
Other comprehensive income (loss):			
Foreign currency translation adjustment	(549)	103	13
Other comprehensive income (loss)	(549)	103	13
Total comprehensive income	$20,882	$27,405	$36,557

The accompanying notes are an integral part of these Financial Statements.

MYR GROUP INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
Balance at December 31, 2013	$	21,223	$ 210	$ 161,202	$	$ 134,679	$ 296,091
Net income						36,544	36,544
Stock issued under compensation plans, net		253	3	1,061			1,064
Tax benefit from stock-based awards				592			592
Stock-based compensation expense				4,671			4,671
Shares repurchased		(686)	(7)	(16,440)			(16,447)
Reclassification of other comprehensive income				(13)	13		
Stock issued other		2		38			38
Balance at December 31, 2014		20,792	206	151,111	13	171,223	322,553
Net income						27,302	27,302
Stock issued under compensation plans, net		413	4	1,919			1,923
Tax benefit from stock-based awards				1,612			1,612
Stock-based compensation expense				4,837			4,837
Shares repurchased		(1,236)	(12)	(12,130)		(16,336)	(28,478)
Other comprehensive income					103		103
Reclassification of shares repurchased				13,965		(13,965)	
Stock issued other				28			28
Balance at December 31, 2015		19,969	198	161,342	116	168,224	329,880
Net income						21,431	21,431
Stock issued under compensation plans, net		589	6	6,213			6,219
Tax benefit from stock-based awards				2,044			2,044
Stock-based compensation expense				4,674			4,674
Shares repurchased		(4,228)	(42)	(34,235)		(66,310)	(100,587)
Other comprehensive income (loss)					(549)		(549)
Stock issued other		3		62			62
Balance at December 31, 2016	$	16,333	$ 162	$ 140,100	$ (433)	$ 123,345	$ 263,174

The accompanying notes are an integral part of these Financial Statements.

TABLE OF CONTENTS

MYR GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
(in thousands)	2016	2015	2014
Cash flows from operating activities:			
Net income	$21,431	$27,302	$36,544
Adjustments to reconcile net income to net cash flows provided by operating activities			
Depreciation and amortization of property and equipment	38,236	37,458	33,089
Amortization of intangible assets	886	571	334
Stock-based compensation expense	4,674	4,837	4,671
Deferred income taxes	4,205	1,558	3,655
Gain on sale of property and equipment	(1,341)	(2,257)	(142)
Other non-cash items	194	200	139
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable, net	(27,485)	(17,765)	15,706
Costs and estimated earnings in excess of billings on uncompleted contracts	(17,001)	(4,597)	(4,090)
Receivable for insurance claims in excess of deductibles	(7,187)	1,021	(922)
Other assets	3,730	(5,634)	(1,255)
Accounts payable	17,322	6,742	(17,303)
Billings in excess of costs and estimated earnings on uncompleted contracts	(707)	1,003	(14,831)
Accrued self insurance	5,617	(2,616)	369
Other liabilities	11,916	(4,823)	(988)
Net cash flows provided by operating activities	54,490	43,000	54,976
Cash flows from investing activities:			
Proceeds from sale of property and equipment	3,299	2,758	320
Cash paid for acquisitions, net of cash acquired	(12,056)	(13,087)	
Purchases of property and equipment	(25,371)	(46,599)	(39,045)
Net cash flows used in investing activities	(34,128)	(56,928)	(38,725)
Cash flows from financing activities:			
Net borrowings under revolving lines of credit	59,070		
Payment of principal obligations under capital leases	(740)		
Proceeds from exercise of stock options	6,218	1,923	725
Debt issuance costs	(1,012)		
Excess tax benefit from stock-based awards	2,345	1,720	615
Repurchase of common shares	(101,483)	(27,582)	(16,447)
Other financing activities	63	28	38
Net cash flows used in financing activities	(35,539)	(23,911)	(15,069)
Effect of exchange rate changes on cash	(774)		
Net increase (decrease) in cash and cash equivalents	(15,951)	(37,839)	1,182
Cash and cash equivalents:			

Beginning of period	39,797	77,636	76,454
End of period	$23,846	$39,797	$77,636

The accompanying notes are an integral part of these Financial Statements.

TABLE OF CONTENTS

MYR GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year ended December 31,		
(in thousands)	2016	2015	2014
Supplemental Cash Flow Information:			
Cash paid during the period for:			
Income taxes payments	$ 6,274	$ 16,960	$ 17,403
Interest payments	1,114	591	577
Noncash investing activities:			
Acquisition of property and equipment for which payment is pending	614	1,328	749
Acquisition of property under capital lees arrangements	5,658		
Noncash financing activities:			
Capital lease obligations initiated	5,658		
Share repurchases that have not settled		896	

The accompanying notes are an integral part of these Financial Statements.

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies

Organization and Business

MYR Group Inc. (the Company) is a holding company of specialty electrical construction service providers and is currently conducting operations through wholly-owned subsidiaries including: The L. E. Myers Co., a Delaware corporation; Harlan Electric Company, a Michigan corporation; Great Southwestern Construction, Inc., a Colorado corporation; Sturgeon Electric Company, Inc., a Michigan corporation; MYR Transmission Services, Inc., a Delaware corporation; E.S. Boulos Company, a Delaware corporation; High Country Line Construction, Inc., a Nevada corporation; Sturgeon Electric California, LLC, a Delaware limited liability company; and GSW Integrated Services, LLC, a Delaware limited liability company; MYR Transmission Services Canada, Ltd., a British Columbia corporation; Northern Transmission Services, Ltd., a British Columbia corporation and Western Pacific Enterprises Ltd., a British Columbia corporation.

The Company performs construction services in two business segments: Transmission and Distribution (T&D), and Commercial and Industrial (C&I). T&D customers include investor-owned utilities, cooperatives, private developers, government-funded utilities, independent power producers, independent transmission companies, industrial facility owners and other contractors. T&D provides a broad range of services, which include design, engineering, procurement, construction, upgrade, maintenance and repair services, with a particular focus on construction, maintenance and repair. The Company also provides C&I electrical contracting services to general contractors, commercial and industrial facility owners, local governments and developers in the western and northeastern United States and western Canada.

Significant Accounting Policies

Consolidation

The accompanying Financial Statements include the results of operations of the Company and its subsidiaries. Significant intercompany transactions and balances have been eliminated.

Revenue Recognition

Revenues under long-term contracts are accounted for under the percentage-of-completion method of accounting. Under the percentage-of-completion method, the Company estimates profit as the difference between total estimated revenue and total estimated cost of a contract and recognizes that profit over the contract term based on costs incurred under the cost-to-cost method.

Revenues from the Company s construction services are performed under fixed-price, time-and-equipment, time-and-materials, unit-price, and cost-plus fee contracts. For fixed-price and unit-price contracts, the Company uses the ratio of cost incurred to date on the contract to management s estimate of the contract s total cost, to determine the percentage of completion on each contract. This method is used as management considers expended costs to be the best available measure of progression of these contracts. Contract cost includes all direct costs on contracts, including labor and material, subcontractor costs and those indirect costs related to contract performance, such as supplies, fuel, tool repairs and depreciation. The Company recognizes revenues from construction services with fees based on time-and-materials, or cost-plus fee as the services are performed and amounts are earned. If contracts include contract incentive or bonus provisions, they are included in estimated contract revenues only when the achievement of such incentive or bonus is reasonably certain.

Contract costs incurred to date and expected total contract costs are continuously monitored during the term of the contract. Changes in job performance, job conditions and final contract settlements are factors that influence management s assessment of total contract value and the total estimated costs to complete those contracts and therefore, the Company s profit recognition. These changes, which include contracts with estimated costs in excess of estimated revenues, are recognized in contract costs in the period in which the revisions are determined. At the point the Company anticipates a loss on a contract, the Company estimates the ultimate loss through completion and recognizes that loss in the period in which the possible loss was identified.

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies (continued)

A change order is a modification to a contract that changes the provisions of the contract, typically resulting from changes in scope, specifications, design, manner of performance, facilities, equipment, materials, sites, or period of completion of the work under the contract. A claim is an amount in excess of the agreed-upon contract price that the Company seeks to collect from its clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders that are either in dispute or are unapproved as to both scope and price, or other causes. Costs related to change orders and claims are recognized when incurred. Revenue from a change order is included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and can be reliably estimated. Revenue from a claim is included in total estimated contract revenues, only to the extent that contract costs related to the claim have been incurred, when it is probable that the claim will result in an addition to contract value which can be reliably estimated. No profit is recognized on a claim until final settlement occurs.

The Company provides warranties to customers on a basis customary to the industry; however, the warranty period does not typically exceed one year. Historically, warranty claims have not been material to the Company.

Total revenues do not include sales tax as the Company considers itself a pass-through conduit for collecting and remitting sales taxes. Sales tax and value added tax collected from customers is included in other current liabilities on our consolidated balance sheets.

Foreign Currency

The functional currency for the Company s Canadian operations is the Canadian dollar. Assets and liabilities denominated in Canadian dollars are translated into U.S. dollars at the end-of-period exchange rate. Revenues and expenses are translated using average exchange rates for the periods reported. Cumulative translation adjustments are included as a separate component of accumulated other comprehensive income in shareholders equity. Foreign currency transaction gains and losses, arising primarily from changes in exchange rates on short term monetary assets and liabilities, are recorded in the other income, net line on the consolidated statements of operations. For the year ended December 31, 2016, the Company recorded $0.2 million of foreign currency losses. Foreign currency transaction gains and losses, arising primarily from long term monetary assets and liabilities are recorded in the foreign currency translation adjustment line on the consolidated statements of comprehensive income.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates.

The most significant estimates are related to estimates of costs to complete on contracts, pending change orders and claims, shared savings, insurance reserves, income tax reserves, estimates surrounding stock-based compensation, the recoverability of goodwill and intangibles and accounts receivable reserves. Actual results could differ from these estimates.

During 2016, the Company revised its cost estimates on several large, multi-year transmission projects, which resulted in the recognition of approximately 0.2% of reduced gross margin. During 2015 and 2014, the Company revised its cost estimates on several large, multi-year transmission projects, which resulted in the recognition of approximately 0.5% and 1.9% of incremental gross margin, respectively. During 2016, the decrease in gross margin resulted in a decrease in income from operations of $2.6 million, a decrease in net income of $1.4 million, and a decrease in diluted earnings per share by $0.08. During 2015, the incremental gross margin resulted in $5.9 million of additional income from operations, $3.6 million of additional net income, and increased diluted earnings per share by $0.17. During 2014, the incremental gross

59

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies (continued)

margin resulted in $18.4 million of additional income from operations, $11.6 million of additional net income, and increased diluted earnings per share by $0.54.

Advertising

Advertising costs are expensed when incurred. Advertising costs, included in selling, general and administrative expenses, were $0.6 million, $0.5 million and $0.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the underlying assets or liabilities are recovered or settled. The Company also evaluates the realizability of our deferred tax assets and valuation allowances are recorded when necessary to reduce deferred tax assets to the amounts expected to be realized.

Interest and penalties related to uncertain income tax positions are included in income tax expense in the accompanying consolidated statements of operations. Interest and penalties actually incurred are charged to interest expense and the other income, net line, respectively.

Stock-Based Compensation

The Company determines compensation expense for stock-based awards based on the estimated fair values at the grant date and recognize the related compensation expense over the vesting period. The Company uses the straight-line attribution method to recognize compensation expense related to stock-based awards, such as restricted stock and phantom stock, that have only service conditions. This method recognizes stock compensation expense on a straight-line basis over the requisite service period for the entire award. The Company recognizes compensation expense related to performance awards that vest based on internal performance metrics and service conditions on a straight-line basis over the service period, but adjust inception-to-date expense based upon our determination of the potential achievement of the performance target at each reporting date. The Company recognizes compensation expense related to performance awards with market-based performance metrics on a straight-line basis over the requisite service period. Stock-based compensation expense is adjusted for changes in estimated and actual forfeitures. The Company uses historical data to estimate the forfeiture rate that we use; however, these estimates are subject to change and may impact the value that will ultimately be recognized as stock compensation expense. Shares issued under the Company s stock-based compensation program are taken out of authorized but unissued shares.

Earnings Per Share

The Company computes earnings per share using the treasury stock method unless the two-class method is more dilutive. The Company computed earnings per share for the years ended December 31, 2016 and 2015 using the treasury stock method. Under the treasury stock method, basic earnings per share are computed by dividing net income available to shareholders by the weighted average number of common shares outstanding during the period, and diluted earnings per share are computed by dividing net income available to shareholders by the weighted average number of common shares outstanding during the period plus all potentially dilutive common stock equivalents, except in cases where the effect of the common stock equivalent would be anti-dilutive.

For the year ended December 31, 2014, the Company computed earnings per share using the two-class method because that method resulted in a more dilutive effect than the treasury stock method. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies (continued)

Under the two-class method, the Company s unvested grants of restricted stock that contained non-forfeitable rights to dividends were treated as participating securities and were excluded from the computation of basic and diluted earnings per share. All shares of restricted stock granted since 2013 are not participating because the grant agreements contain provisions that dividends, if declared, will be forfeited if the grantee leaves the Company before the stock is vested.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2016 and 2015, the Company held its cash in checking accounts or in highly liquid money market funds. The Company s banking arrangements allow the Company to fund outstanding checks when presented to financial institutions for payment. The Company funds all intraday bank balances overdrafts during the same business day. Checks issued and outstanding in excess of bank balance are recorded in accounts payable in the Consolidated Balance Sheets and are reflected as a financing activity in the Consolidated Statements of Cash Flows. The Company had no checks issued and outstanding in excess of our bank balance as of December 31, 2016 and 2015.

Accounts Receivable and Allowance for Doubtful Accounts

The Company does not charge interest to its customers and carries its customer receivables at their face amounts, less an allowance for doubtful accounts. Included in accounts receivable are balances billed to customers pursuant to retainage provisions in certain contracts that are due upon completion of the contract and acceptance by the customer, or earlier as provided by the contract. Based on the Company s experience in recent years, the majority of customer balances at each balance sheet date are collected within twelve months. As is common practice in the industry, the Company classifies all accounts receivable, including retainage, as current assets. The contracting cycle for certain long-term contracts may extend beyond one year, and accordingly, collection of retainage on those contracts may extend beyond one year. The Company expects a majority of the retainage recorded at December 31, 2016 to be collected within one year, with the remaining to be collected in the subsequent year as the related contracts are completed.

The Company grants trade credit, on a non-collateralized basis (with the exception of lien rights against the property in certain cases), to its customers and is subject to potential credit risk related to changes in business and overall economic activity. The Company analyzes specific accounts receivable balances, historical bad debts, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. In the event that a customer balance is deemed to be uncollectible, the account balance is written-off against the allowance for doubtful accounts.

Classification of Construction Contract-related Assets and Liabilities

Costs and estimated earnings in excess of billings on uncompleted contracts are presented as a current asset in the accompanying consolidated balance sheets, and billings in excess of costs and estimated earnings on uncompleted contracts are presented as a current liability in the accompanying consolidated balance sheets. The Company s contracts vary in duration, with the duration of some larger contracts exceeding one year. Consistent with industry practices, the Company includes the amounts realizable and payable under contracts, which may extend beyond one year, in current assets and current liabilities. These balances are generally settled within one year.

Property and Equipment

Property and equipment is carried at cost. Depreciation is computed using the straight-line method over estimated useful lives. Major modifications or refurbishments which extend the useful life of the assets are capitalized and depreciated over the adjusted remaining useful life of the assets. Upon retirement or

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies (continued)

disposition of property and equipment, the cost and related accumulated depreciation are removed and any resulting gain or loss is recognized into income from operations. The cost of maintenance and repairs is charged to expense as incurred.

Leases

The Company leases certain real estate, construction equipment and office equipment. Real estate is generally leased for terms up to ten years in duration. The terms and conditions of leases (such as renewal or purchase options and escalation clauses), if material, are reviewed at inception to determine the classification (operating or capital) of the lease. Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification in accordance with Accounting Standards Codification (ASC) Topic 840-10-25.

Insurance

The Company carries insurance policies, which are subject to certain deductibles, for workers compensation, general liability, automobile liability and other coverages. The deductible for each line of coverage is up to $1.0 million, except for certain of the Company s health insurance benefit plans, which are subject to a deductible up to $0.2 million, for qualified individuals. Losses up to the deductible amounts are accrued based upon the Company s estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported.

The insurance and claims accruals are based on known facts, actuarial estimates and historical trends. While recorded accruals are based on the ultimate liability, which includes amounts in excess of the deductible, a corresponding receivable for amounts in excess of the deductible is included in current assets in the consolidated balance sheets.

Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite lives are not amortized. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The Company reviews goodwill and intangible assets with indefinite lives for impairment on an annual basis at the beginning of the fourth quarter, or when circumstances change, such as a significant adverse change in the business climate or the decision to sell a business, both of which would indicate that impairment may have occurred. The Company performs a qualitative assessment to determine whether it is necessary to perform a two-step goodwill impairment test. The qualitative assessment considers financial, industry, segment and macroeconomic factors. If the qualitative assessment indicates a potential for impairment, the two-step method is used to determine if impairment exists. The two-step method begins with a comparison of the fair value of the reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the implied fair value and carrying value of the goodwill of that reporting unit. The company also performs a qualitative assessment on intangible assets with indefinite lives. If the qualitative assessment indicates a potential for impairment, a quantitative impairment test would be performed to compare the fair value of the indefinite-lived intangible asset with its carrying value. If the carrying value of goodwill or other indefinite-lived assets exceeds its implied fair value, an impairment charge would be recorded in the statement of operations.

In 2015, the Company determined, based on our qualitative analysis, that it was appropriate to perform a two-step analysis. The first step involves a comparison of the fair value of the reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the implied fair value and carrying value of the goodwill of that reporting unit. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recorded in the statement of operations. The step one analysis did not indicate that the Company s goodwill or indefinite lived intangible assets were impaired. As a result, no step two analysis was performed.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies (continued)

As a result of the annual qualitative review process in 2016 and 2014, the Company determined it was not necessary to perform a two-step analysis.

Concentrations

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains substantially all of its cash and cash equivalent balances with large financial institutions which are believed to be high quality institutions.

The Company grants trade credit under contractual payment terms, generally without collateral, to its customers, which include high credit quality electric utilities, governmental entities, general contractors and builders, owners and managers of commercial and industrial properties. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors. However, the Company generally has certain statutory lien rights with respect to services provided. Under certain circumstances such as foreclosures or negotiated settlements, the Company may take title to the underlying assets in lieu of cash in settlement of receivables. As of December 31, 2016, one customer individually exceeded 10.0% of consolidated accounts receivable with an aggregate balance of approximately 11.2% of the total consolidated accounts receivable amount (excluding the impact of allowance for doubtful accounts). As of December 31, 2015, one customer individually exceeded 10.0% of consolidated accounts receivable with an aggregate balance of approximately 13.0% of the total consolidated accounts receivable amount (excluding the impact of allowance for doubtful accounts). The Company believes the terms and conditions in its contracts, billing and collection policies are adequate to minimize the potential credit risk.

The Company is subject to a concentration of risk because it derives a significant portion of its revenues from a few customers. The Company s top ten customers accounted for approximately 46.4%, 44.6% and 46.5% of consolidated revenues for the years ended December 31, 2016, 2015 and 2014, respectively. For the years ended December 31, 2016, 2015 and 2014, no single customer accounted for more than 10.0% of annual revenues.

As of December 31, 2016, approximately 91% of the Company s craft labor employees were covered by collective bargaining agreements. Although the majority of these agreements prohibit strikes and work stoppages, the Company cannot be certain that strikes or work stoppages will not occur in the future.

Recent Accounting Pronouncements

Changes to U.S. GAAP are typically established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB s Accounting Standards Codification (ASC). The Company considers the applicability and impact of all ASUs. The Company, based on its assessment, determined that any recently issued or proposed ASUs not listed below are either not applicable to the Company or may have minimal impact on its Financial Statements.

Recently Adopted Accounting Pronouncements

In April 2015, FASB issued ASU No. 2015-03, *Interest Imputation of Interest (Topic 835)*, which simplifies the presentation of debt issuance costs by requiring debt issuance costs related to a debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. Additionally in August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (Topic 835)*, to clarify that an entity may elect to present debt issuance costs related to a line-of-credit arrangement as an asset, regardless of whether or not there are any outstanding borrowings on the line-of-credit arrangement. The Company adopted these ASUs on January 1, 2016. The Company has elected to present debt issuance costs related to the line of credit as a deferred asset within other assets as permitted by ASU 2015-15, resulting in no change on the Company s financial statements.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies (continued)

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern (Topic 205)*. The amendments under this pronouncement address the diversity in practice in determining when there is substantial doubt about an entity s ability to continue as a going concern and when and how an entity must disclose certain relevant conditions and events. This update requires an entity to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern for a period of one year after the date that the financial statements are issued (or available to be issued). If such conditions or events exist, an entity should disclose that there is substantial doubt about the entity s ability to continue as a going concern for a period of one year after the date that the financial statements are issued (or available to be issued), along with the principal conditions or events that raise substantial doubt, management s evaluation of the significance of those conditions or events in relation to the entity s ability to meet its obligations and management s plans that are intended to mitigate those conditions or events. The standard was effective for interim and annual reporting periods ending after December 15, 2016. The Company adopted this ASU on December 31, 2016, which did not have any impact to the disclosures found within this annual report as there is no substantial doubt about the Company s ability to continue as a going concern.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill, through elimination of Step 2 from the goodwill impairment test. Instead an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The update is effective for any annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The guidance requires application on a prospective basis. The Company does not expect that this pronouncement will have a significant impact on its financial statements

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The update is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The guidance requires application on a prospective basis. The Company does not expect that this pronouncement will have a significant impact on its financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which modifies existing guidance and is intended to reduce the diversity in practice with respect to the accounting for income tax consequences of intra-entity transfers of assets. This update requires entities to immediately recognize the tax consequences on intercompany asset transfers (excluding inventory) at the transaction date, and eliminates the recognition exception within current guidance. The update is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The guidance requires application using a modified retrospective approach. The Company is evaluating the impact this pronouncement will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*: *Classification of Certain Cash Receipts and Cash Payments*, which is intended to reduce diversity in practice in how eight specific transactions are classified in the statement of cash flows. The update is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective approach. The Company is evaluating the impact this update will have on its financial statements.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies (continued)

In March 2016, the FASB issued ASU No. 2016-09, *Compensation Stock Compensation (Topic 718)*. The amendments under this pronouncement make modifications to the accounting treatment for forfeitures, required withholding on stock compensation and the financial statement presentation of excess tax benefits or deficiencies and certain components of stock compensation. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted in any interim period. When this pronouncement is adopted in 2017 the Company will discontinue estimating forfeitures and will account for forfeitures as they occur. Additionally the Company s future tax determination will be impacted, as excess tax benefits and deficiencies will no longer be allocated to the APIC pool, but will be a component of the current tax calculation. The Company does not expect the amendments under this pronouncement to have a material impact on the Company s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments under this pronouncement will change the way all leases with durations in excess of one year or more are treated. Under this guidance, lessees will be required to recognize virtually all leases on the balance sheet as a right-of-use asset and an associated financing lease liability or capital lease liability. The right-of-use asset represents the lessee s right to use, or control the use of, a specified asset for the specified lease term. The lease liability represents the lessee s obligation to make lease payments arising from the lease, measured on a discounted basis. Based on certain characteristics, leases are classified as financing leases or operating leases. Financing lease liabilities, which contain provisions similar to capitalized leases, are amortized like capital leases under current accounting, as amortization expense and interest expense in the statement of operations. Operating lease liabilities are amortized on a straight-line basis over the life of the lease as lease expense in the statement of operations. This update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2018. While the Company continues to evaluate the impact this pronouncement will have on its policies and procedures pertaining to its existing and future lease arrangements, disclosure requirements and on the Company s financial statements, the Company expects most existing operating lease commitments, that extend beyond twelve months at the time of adoption, will be recognized as lease liabilities and right-of-use assets upon adoption.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments under this pronouncement will change how an entity recognizes revenue from contracts it enters to transfer goods, services or nonfinancial assets to its customers. These changes created a comprehensive framework for all entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to result in less complex guidance in application while providing a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1: Identify the contract(s) with the customer; Step 2: Identify the performance obligations in the contract; Step 3:

Determine the transaction price; Step 4: Allocate the transaction price to the performance obligations in the contract; Step 5: Recognize revenue when, or as, the entity satisfies the performance obligations. In addition, the amendments require expanded disclosure to enable the users of the financial statements to understand the nature, timing and uncertainty of revenue and cash flow arising from contracts with customers. On August 16, 2015, the FASB deferred the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date, permitting early adoption of the standard, but not before the original effective date of December 15, 2016. The Company plans to adopt the amendments under this pronouncement using the modified retrospective transition approach on January 1, 2018. The modified retrospective transition approach will recognize any changes from the beginning of the year of initial application through retained earnings with no restatement of comparative periods. As the amendments under this pronouncement will supersede substantially all existing revenue guidance affecting us under U.S. GAAP, it will impact revenue and cost

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization, Business and Significant Accounting Policies (continued)

recognition on some of our contracts across both our T&D and C&I business segments, in addition to impacting our business processes and our information technology systems. As a result, the Company s evaluation of the impact of this pronouncement and its expanded disclosure requirements, and all amendments relating to this pronouncement, on the Company s policies and procedures pertaining to recognition of revenue from contracts with customers, and the impact on the Company s financial statements is ongoing.

2. Acquisitions

Western Pacific Enterprises Ltd.

On October 28, 2016, the Company completed the acquisition of substantially all of the assets of Western Pacific Enterprises GP and of Western Pacific Enterprises Ltd., except for certain real estate owned by Western Pacific Enterprises Ltd., with the company continuing operations under the name Western Pacific Enterprises Ltd. (WPE), an electrical contracting firm in western Canada. With its main headquarters in Coquitlam, British Columbia, WPE provides a wide range of commercial and industrial electrical construction capabilities under the Company s C&I segment. WPE also provides substation construction capabilities under the Company s T&D segment. The total consideration paid was approximately $12.1 million, which was funded through borrowings from our line of credit. Total consideration paid included $2.2 million subject to potential net asset adjustments once the final net assets acquired are finalized by the end of 2017. These net asset adjustments were approximately $0.8 million as of the October 28, 2016 closing date and as of December 31, 2016. The Company accounted for the net asset adjustments as a reduction to consideration paid and will be funded through our escrow.

The purchase agreement also includes provisions for margin guarantee adjustments based upon performance subsequent to the acquisition on certain contracts. Contingent consideration of approximately $1.4 million related to the margin guarantee adjustments on certain contracts was recorded in other income for the year ended December 31, 2016. Future margin guarantee adjustments, if any, are expected to be completed by the end of 2017. Additionally, there could also be contingent payments based on the successful achievement of certain performance targets and continued employment of certain key executives of WPE. These payments are recognized as compensation expense in the consolidated statement of operations as incurred. During the year ended December 31, 2016 the Company recognized less than $0.1 million of compensation expense associated with these contingent payments.

The results of operations for WPE are included in the Company s consolidated statement of operations and the C&I segment from the date of acquisition. Costs of approximately $0.4 million related to the acquisition were included in selling, general and administrative expenses in the consolidated statement of operations.

66

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

2. Acquisitions (continued)

The following table summarizes the allocation of the opening balance sheet from the date of acquisition through December 31, 2016:

(in thousands)	(as of acquisition date) October 28, 2016	Measurement Period Adjustments	(adjusted acquisition amounts as of) December 31, 2016
Total consideration, net of net asset adjustments	$ 11,283	$	$ 11,283
Accounts receivable, net	$ 20,249	$	$ 20,249
Costs and estimated earnings in excess of billings on uncompleted contracts	1,610		1,610
Other current assets	8		8
Property and equipment	4,108		4,108
Accounts payable	(10,125)		(10,125)
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,020)		(3,020)
Other current liabilities	(2,294)		(2,294)
Net identifiable assets	10,536		10,536
Unallocated intangible assets	$ 747	$	$ 747

The Company has developed preliminary estimates of fair value of the assets acquired and liabilities assumed for the purposes of allocating the purchase price. Further adjustments are expected to the allocation as third party valuations of identifiable intangible assets, including backlog, customer relationships, trade name and off-market component, are determined, and as net asset adjustments are finalized. The Company expects that the excess of the purchase price over the net amount of the fair values to be assigned to assets acquired and liabilities assumed will be completely allocated to identifiable intangible assets. A portion of the identifiable intangible assets are expected to be tax deductible per applicable Canadian Revenue Authority regulations.

High Country Line Construction, Inc.

On November 24, 2015, the Company acquired all of the outstanding common stock of High Country Line Construction, Inc. (HCL). The acquisition of HCL expanded the Company s T&D construction services, predominantly in the western United States. The acquisition date fair value of consideration transferred, funded through existing cash resources, was $1.7 million, net of cash acquired. The purchase price was allocated to net identifiable assets with $0.3 million allocated to identifiable intangibles (backlog and customer relationships) and the remaining $0.2 million allocated to goodwill. The Company has finalized the purchase price accounting relating to the HCL acquisition. Costs of approximately $0.2 million related to the acquisition were included in selling, general and administrative expenses in the December 31, 2015 consolidated statement of operations.

E.S. Boulos Company

On April 13, 2015, the Company acquired substantially all of the assets of E.S. Boulos Company (ESB). The total consideration paid was approximately $11.4 million, which was funded through existing cash resources of the Company. Headquartered in Westbrook, Maine, ESB offers construction capabilities under the Company s T&D segment, including substation, transmission and distribution construction. ESB also provides commercial and industrial electrical construction under its C&I segment, including a wide range of commercial electrical construction services. The Company has finalized the purchase price accounting relating to the ESB acquisition.

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

3. Fair Value Measurements

The Company uses the three-tier hierarchy of fair value measurement, which prioritizes the inputs used in measuring fair value based upon their degree of availability in external active markets. These tiers include: Level 1 (the highest priority), defined as observable inputs, such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 (the lowest priority), defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of December 31, 2016 and 2015, the Company determined that the carrying value of cash and cash equivalents approximated fair value based on Level 1 inputs. As of December 31, 2016, the fair value of the Company s long-term debt and capital lease obligations, were based on Level 2 inputs. The Company s long-term debt was based on variable and fixed interest rates at December 31, 2016, for new issues with similar remaining maturities and approximated carrying value. In addition, based on borrowing rates currently available to the Company for borrowings with similar terms, the carrying values of the Company s capital lease obligations also approximated fair value. The Company had no long-term debt or capital lease obligations, as of December 31, 2015.

4. Accounts Receivable

Accounts receivable consisted of the following at December 31:

(in thousands)	2016	2015
Contract receivables	$ 200,732	$ 159,794
Contract retainages	32,486	27,474
Other	1,856	343
	235,074	187,611
Less: Allowance for doubtful accounts	(432)	(376)
	$ 234,642	$ 187,235

The roll-forward of activity in the allowance for doubtful accounts was as follows for the years ended December 31:

(in thousands)	2016	2015	2014
Balance at beginning of period	$ 376	$ 1,179	$ 1,132
Less: Reduction in (provision for) allowances	(146)	528	(96)
Less: Write offs, net of recoveries	90	275	49
Balance at end of period	$ 432	$ 376	$ 1,179

5. Contracts in Process

The net asset position for contracts in process consisted of the following at December 31:

(in thousands)	2016	2015
Costs and estimated earnings on uncompleted contracts	$ 2,194,695	$ 2,153,085
Less: Billings to date	2,167,066	2,142,213
	$ 27,629	$ 10,872

68

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

5. Contracts in Process (continued)

The net asset position for contracts in process is included in the accompanying consolidated balance sheets as follows at December 31:

(in thousands)	2016	2015
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 69,950	$ 51,486
Billings in excess of costs and estimated earnings on uncompleted contracts	(42,321)	(40,614)
	$ 27,629	$ 10,872

6. Property and Equipment

Property and equipment consisted of the following at December 31:

(dollars in thousands)	Estimated Useful Life in Years	2016	2015
Land		$ 5,468	$ 5,782
Buildings and improvements	3 to 39	21,660	21,401
Construction equipment	3 to 12	329,299	308,628
Office equipment	3 to 10	7,930	6,442
		364,357	342,253
Less: Accumulated depreciation and amortization		(209,466)	(181,575)
		$ 154,891	$ 160,678

Construction equipment includes assets under capital leases see additional information provided in Note 12 to the Financial Statements.

Depreciation and amortization expense of property and equipment for the years ended December 31, 2016, 2015 and 2014 was $38.2 million, $37.5 million and $33.1 million, respectively.

7. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following at December 31:

(in thousands)	2016 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	2015 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount

Goodwill						
T&D	$ 40,224	$	$ 40,224	$ 40,567	$	$ 40,567
C&I	6,557		6,557	6,557		6,557
Total goodwill	$ 46,781	$	$ 46,781	$ 47,124	$	$ 47,124
Amortizable Intangible Assets						
Backlog	$ 989	$ 989	$	$ 765	$ 695	$ 70
Customer relationships	5,266	3,590	1,676	5,144	3,103	2,041
Trade names	695	79	616	695		695
Unallocated intangible assets	747	26	721			
Foreign currency translation	(3)		(3)			
Indefinite-lived Intangible Assets						
Trade names	8,556		8,556	8,556		8,556
Total Intangible assets	$ 16,250	$ 4,684	$ 11,566	$ 15,160	$ 3,798	$ 11,362

69

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

7. Goodwill and Intangible Assets (continued)

The decrease in goodwill and as of December 31, 2016 compared to December 31, 2015 was due to the allocation of $0.3 million of goodwill to the HCL identifiable intangibles during the finalization of the HCL purchase price accounting. Unallocated intangible assets relate to the WPE acquisition and are being amortized based on preliminary allocations. Additional financial information related to these acquisitions is provided in Note 2 to the Financial Statements.

Customer relationships and backlog are being amortized on a straight-line method over an estimated useful life of approximately 12 years and the remaining life of the contract, respectively, and have been determined to have no residual value. Amortizable trade names are being amortized on a straight-line method over an estimated useful life of approximately 15 years. Infinite-lived trade names have been determined to have indefinite lives and, therefore, are not being amortized. Intangible asset amortization expense was $0.9 million for the year ended December 31, 2016, $0.6 million for the year ended December 31, 2015 and $0.3 million for the year ended December 31, 2014. Intangible asset amortization expense for the years subsequent to December 31, 2016 is expected to be approximately $0.7 million in 2017, $0.6 million in 2018, and $0.2 million for each of the years from 2019 to 2026, $0.1 million for each of the years from 2027 to 2028 and less than $0.1 million for 2029 and 2030.

8. Accrued Liabilities

Other current liabilities consisted of the following at December 31:

(in thousands)	2016	2015
Payroll and incentive compensation	$ 16,101	$ 10,499
Union dues and benefits	10,261	8,182
Profit sharing and thrift plan	2,004	1,294
Taxes, other than income taxes	7,639	3,578
Other	6,377	5,303
	$ 42,382	$ 28,856

9. Debt

On June 30, 2016, the Company entered into a five-year amended and restated credit agreement (the Credit Agreement) with a syndicate of banks led by JPMorgan Chase Bank, N.A. and Bank of America, N.A. The Credit Agreement provides for a facility of $250 million (the 2016 Facility) that may be used for revolving loans and letters of credit. The 2016 Facility also allows for revolving loans and letters of credit in Canadian dollars and other currencies, up to the U.S. dollar equivalent of $50 million. The Company has an expansion option to increase the commitments under the 2016 Facility or enter into incremental term loans, subject to certain conditions, by up to an additional $100 million upon receipt of additional commitments from new or existing lenders. Subject to certain exceptions, the 2016 Facility is secured by substantially all of the assets of the Company and its domestic subsidiaries and by a pledge of substantially all of the capital stock of the Company s domestic subsidiaries and 65% of the capital stock of the direct foreign subsidiaries of the Company. Additionally, subject to certain exceptions, the Company s domestic subsidiaries also guarantee the repayment of all amounts due under the Credit Agreement. If an event of default occurs and is continuing, on the terms and subject to the conditions set forth in the Credit Agreement, amounts outstanding under the 2016 Facility may be accelerated and may become or be declared immediately due and payable. Borrowings under the Credit Agreement were used to refinance existing debt and are expected to be used for working capital, capital expenditures, acquisitions and other general corporate purposes.

Amounts borrowed under the Credit Agreement in U.S. dollars bear interest, at the Company s option, at a rate equal to either (1) the Alternate Base Rate (as defined in the Credit Agreement), plus an applicable margin ranging from 0.00% to 1.00%; or (2) Adjusted LIBO Rate (as defined in the Credit Agreement) plus an applicable margin ranging from 1.00% to 2.00%. Amounts borrowed under the Credit Agreement in any

70

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

9. Debt (continued)

currency other than U.S. dollars bear interest at a rate equal to the Adjusted LIBO Rate plus an applicable margin ranging from 1.00% to 2.00%. The applicable margin is determined based on the Company s consolidated Leverage Ratio (as defined in the Credit Agreement). Letters of credit issued under the 2016 Facility are subject to a letter of credit fee of 1.125% to 2.125% for standby or commercial letters of credit or 0.625% to 1.125% for performance letters of credit, based on the Company s consolidated Leverage Ratio. The Company is subject to a commitment fee of 0.20% to 0.375% based on the Company s consolidated Leverage Ratio on any unused portion of the 2016 Facility. The Credit Agreement restricts certain types of payments when the Company s consolidated Leverage Ratio exceeds 2.25. The weighted average interest rate on borrowings outstanding through December 31, 2016, was 1.77% per annum.

Under the Credit Agreement, the Company is subject to certain financial covenants and must maintain a maximum consolidated Leverage Ratio of 3.0 and a minimum interest coverage ratio of 3.0, which is defined in the Credit Agreement as Consolidated EBITDA (as defined in the Credit Agreement) divided by interest expense. The Credit Agreement also contains a number of covenants including limitations on asset sales, investments, indebtedness and liens. In connection with any permitted acquisition where the total consideration exceeds $50 million, the Company may request that the maximum permitted consolidated Leverage Ratio increase from 3.0 to 3.5. Any such increase, if given effect, shall begin in the quarter in which such permitted acquisition is consummated and shall continue in effect for four consecutive fiscal quarters.

Prior to the amendment and restatement of the Credit Agreement, the Company had a five-year syndicated credit agreement with a facility of $175.0 million (the 2011 Facility). The 2011 Facility provided funds for revolving loans and the issuance of letters of credit and up to $25.0 million for swingline loans.

The amount outstanding on the 2016 Facility was $59.1 million as of December 31, 2016. The Company had no revolving loans outstanding as of December 31, 2015.

As of December 31, 2016, the Company had irrevocable standby letters of credit outstanding under the 2016 Facility of approximately $23.7 million, including $17.6 million related to the Company s payment obligation under its insurance programs and approximately $6.1 million related to contract performance obligations. As of December 31, 2015, the Company had irrevocable standby letters of credit outstanding of approximately $19.3 million, including $17.5 million related to the Company s payment obligation under its insurance programs and approximately $1.8 million related to contract performance obligations.

The Company has remaining deferred debt issuance costs totaling $1.0 million as of December 31, 2016, related to entry into the line of credit. As permitted under ASU No. 2015-15, debt issuance costs have been deferred and are presented as an asset within other assets, which is amortized as interest expense over the term of the line of credit.

10. Income Taxes

Income before income taxes by geographic area was, for the years ended December 31:

(in thousands)	2016	2015	2014
Federal	$ 39,419	$ 45,456	$ 57,950
Foreign	(1,074)	(1,157)	
	$ 38,345	$ 44,299	$ 57,950

71

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

10. Income Taxes (continued)

The income tax provision consisted of the following for the years ended December 31:

(in thousands)	2016	2015	2014
Current			
Federal	$ 9,838	$ 12,433	$ 14,720
State	2,871	3,006	3,031
	12,709	15,439	17,751
Deferred			
Federal	2,491	1,553	3,154
Foreign	481	(272)	
State	1,233	277	501
	4,205	1,558	3,655
Income tax expense	$ 16,914	$ 16,997	$ 21,406

The differences between the U.S. federal statutory tax rate and the Company s effective tax rate for continuing operations were as follows for the years ended December 31:

	2016	2015	2014
U.S federal statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of U.S. federal income tax expense	5.2	4.6	3.6
Provision to return adjustments, net	0.8	0.5	0.2
Tax differential on foreign earnings	2.2	0.3	
Domestic production/manufacturing deduction	(1.9)	(2.4)	(2.3)
Deferred tax adjustments, net	1.6		
Non-deductible meals and entertainment	1.0	0.6	0.4
Expiration of uncertain tax positions		(0.4)	
Other income, net	0.2	0.2	
Effective rate	44.1 %	38.4 %	36.9 %

72

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

10. Income Taxes (continued)

The net deferred tax assets and (liabilities) arising from temporary differences was as follows at December 31:

(in thousands)	2016	2015
Deferred income tax assets:		
Self insurance reserves	$ 6,670	$ 7,464
Contract loss reserves	257	240
Stock-based awards	2,554	3,986
Bonus	2,908	2,497
Non-U.S. operating loss	595	373
Other	1,652	1,484
Total deferred income tax assets before valuation allowances	14,636	16,044
Less: valuation allowances	(595)	
Total deferred income tax assets	14,041	16,044
Deferred income tax liabilities:		
Property and equipment tax over book depreciation	(26,664)	(25,859)
Intangible assets tax over book amortization	(3,592)	(3,670)
Non-U.S. deferred income tax liabilities	(91)	
Other	(2,259)	(897)
Total deferred income tax liabilities	(32,606)	(30,426)
Net deferred income taxes	$ (18,565)	$ (14,382)

The Company determined that it is more-likely-than-not that it will not realize the deferred tax assets on certain Canadian subsidiaries and recorded a valuation allowance against the entire related deferred tax assets.

As of December 31, 2016, the Company had no undistributed earnings of our Canadian subsidiaries. We expect future earnings to be reinvested. Accordingly, no provision for U.S. income taxes or foreign withholding taxes has been made.

The Company is subject to taxation in various jurisdictions. The Company s tax return for 2015 is subject to examination by U.S. federal authorities. The Company s tax returns are subject to examination by various state authorities for the years 2012 through 2015.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

10. Income Taxes (continued)

The Company has recorded a liability for unrecognized tax benefits related to tax positions taken on its various income tax returns. If recognized, the entire amount of unrecognized tax benefits would favorably impact the effective tax rate that is reported in future periods. The decrease in prior period tax positions is primarily due to the settlement of an Internal Revenue Service audit for the 2012 through 2014 tax years. The total unrecognized tax benefits is expected to be reduced by less than $0.1 million within the next 12 months due to the lapses in the applicable statutes of limitations. Interest and penalties related to uncertain income tax positions are included as a component of income tax expense in the Financial Statements.

The following is a reconciliation of the beginning and ending liability for unrecognized tax benefits at December 31:

(in thousands)	2016	2015
Balance at beginning of period	$ 425	$ 507
Gross increases in current period tax positions	100	62
Gross increases in prior period tax positions		19
Gross decreases in prior period tax positions		(163)
Reductions in tax positions due to lapse of statutory limitations	(12)	
Settlements with taxing authorities	(243)	
Balance at end of period	270	425
Accrued interest and penalties at end of period	31	139
Total liability for unrecognized tax benefits	$ 301	$ 564

The liability for unrecognized tax benefits, including accrued interest and penalties, was included in other liabilities in the accompanying consolidated balance sheets. The amount of interest and penalties charged or credited to income tax expense as a result of the unrecognized tax benefits was not significant in the years ended December 31, 2016, 2015 and 2014.

11. Commitments and Contingencies

Purchase Commitments

As of December 31, 2016, the Company had approximately $8.6 million in outstanding purchase orders for certain construction equipment, with cash outlay scheduled to occur over the next four months.

Insurance and Claims Accruals

The Company carries insurance policies, which are subject to certain deductibles, for workers compensation, general liability, automobile liability and other coverages. The deductible per occurrence for each line of coverage is up to $1.0 million. The Company s health benefit plans, are subject to a deductible up to $0.2 million, for qualified individuals. Losses up to the deductible amounts are accrued based upon the Company s estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies (continued)

The insurance and claims accruals are based on known facts, actuarial estimates and historical trends. While recorded accruals are based on the ultimate liability, which includes amounts in excess of the deductible, a corresponding receivable for amounts in excess of the deductible is included in current assets in the consolidated balance sheets at December 31:

(in thousands)	2016	2015	2014
Balance at beginning of period	$ 36,967	$ 39,480	$ 39,111
Net increases in reserves	25,139	15,686	16,220
Net payments made	(19,522)	(18,199)	(15,851)
Balance at end of period	$ 42,584	$ 36,967	$ 39,480

Insurance expense, including premiums, for workers compensation, general liability, automobile liability, employee health benefits, and other coverages for the years ended December 31, 2016, 2015 and 2014 was $25.6 million, $23.6 million and $21.0 million, respectively.

Performance and Payment Bonds

In certain circumstances, the Company is required to provide performance and payment bonds in connection with its future performance on certain contractual commitments. The Company has indemnified its sureties for any expenses paid out under these bonds. As of December 31, 2016, an aggregate of approximately $887.7 million in original face amount of bonds issued by the Company s sureties were outstanding. Our estimated remaining cost to complete these bonded projects was approximately $58.2 million as of December 31, 2016.

Indemnities

From time to time, pursuant to its service arrangements, the Company indemnifies its customers for claims related to the services it provides under those service arrangements. These indemnification obligations may subject the Company to indemnity claims and liabilities and related litigation. The Company is not aware of any material unrecorded liabilities for asserted claims in connection with these indemnification obligations.

Collective Bargaining Agreements

Many of the Company s subsidiaries craft labor employees are covered by collective bargaining agreements. The agreements require the subsidiaries to pay specified wages, provide certain benefits and contribute certain amounts to multi-employer pension plans. If a subsidiary withdraws from any of the multi-employer pension plans or if the plans were to otherwise become underfunded, the subsidiary could incur liabilities for additional contributions related to these plans. Although the Company has been informed that some of the multi-employer pension plans to which its subsidiaries contribute have been classified as critical status, the Company is not currently aware of any potential liabilities related to this issue. See Note 14 to the Financial Statements for further information related to the Company s participation in multi-employer plans.

Litigation and Other Legal Matters

The Company is from time-to-time party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, the Company records reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe that any of these proceedings, separately or in the aggregate, would be expected to have a material adverse effect on the Company s financial position, results of operation or cash flows.

75

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies (continued)

The Company is routinely subject to other civil claims, litigation and arbitration, and regulatory investigations arising in the ordinary course of our present business as well as in respect of our divested businesses. Some of these claims and litigations include claims related to the Company s current services and operations, and asbestos-related claims concerning historic operations of a predecessor affiliate. The Company believes that it has strong defenses to these claims as well as insurance coverages that could contribute to any settlement or liability in the event any asbestos-related claim is not resolved in the Company s favor. These claims have not had a material impact on the Company to date, and the Company believes that the likelihood that a future material adverse outcome will result from these claims is remote. However, if facts and circumstances change in the future, the Company cannot be certain that an adverse outcome of one or more of these claims would not have a material adverse effect on the Company s financial condition, results of operations or cash flows.

12. Lease Obligations

From time to time, the Company enters into leasing arrangements for real estate, vehicles and construction equipment. In 2016, the Company entered into master leasing arrangements for vehicles and construction equipment. Some of the leases entered into under these agreements were recorded as capital leases while others were treated as operating leases. As of December 31, 2016, the Company had no outstanding commitments to enter into future leases under its master lease agreements.

Capital Leases

The Company leases vehicles and certain equipment under capital leases. The economic substance of the leases is a financing transaction for acquisition of the vehicles and equipment and, accordingly, the leases are included in the balance sheets in property and equipment, net of accumulated depreciation, with a corresponding amount recorded in current portion of capital lease obligations or capital lease obligations, net of current maturities, as appropriate. The capital lease assets are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis and included in depreciation expense in the statements of operations. The interest associated with capital leases is included in interest expense in the statements of operations.

As of December 31, 2016, the Company had approximately $4.9 million of capital lease obligations outstanding, $1.1 million of which was classified as a current liability. As of December 31, 2015, the Company had no outstanding capital lease obligations.

As of December 31, 2016, $5.0 million of leased assets were capitalized in construction equipment, net of accumulated depreciation. Additional information related to property and equipment is provided in Note 6 to the Financial Statements.

Operating Leases

The Company leases real estate, construction equipment and office equipment under operating leases with remaining terms ranging from one to five years.

Rent expense includes lease payments as well as rent on items that are rented under cancellable rental agreements. Total rent expense for the years ended December 31, 2016, 2015 and 2014, was $44.9 million, $57.2 million and $41.1 million, respectively.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

12. Lease Obligations (continued)

The future minimum lease payments required under capital leases and operating leases, together with their present value of capital leases, as of December 31, 2016 were as follows:

(In thousands)	Capital Lease Obligations	Operating Lease Obligations
2017	$ 1,220	$ 2,519
2018	1,220	2,256
2019	1,220	1,851
2020	1,220	1,206
2021	380	761
Thereafter		612
Total minimum lease payments	$ 5,260	$ 9,205
Interest	(342)	
Net present of minimum lease payments	4,918	
Less: Current portion of capital lease obligations	1,085	
Long-term capital lease obligations	$ 3,833	

13. Stock-Based Compensation

The Company maintains two equity compensation plans under which stock-based compensation has been granted, the 2006 Stock Option Plan (the 2006 Plan) and the 2007 Long-Term Incentive Plan (Amended and Restated as of May 1, 2014) (the LTIP). Upon the adoption of the LTIP, awards were no longer granted under the 2006 Plan. The LTIP was approved by our stockholders and provides for grants of (a) incentive stock options qualified as such under U.S. federal income tax laws, (b) stock options that do not qualify as incentive stock options, (c) stock appreciation rights, (d) restricted stock awards, (e) performance awards, (f) phantom stock, (g) stock bonuses, (h) dividend equivalents, or (i) any combination of such awards. The LTIP permits the granting of up to 4,000,000 shares to directors, officers and other employees of the Company. Grants of awards to employees are approved by the Compensation Committee of the Board of Directors and grants to independent members of the Board of Directors are approved by the Board of Directors. All awards are made with an exercise price or base price, as the case may be, that is not less than the full fair market value per share on the date of grant. No stock option or stock appreciation right may be exercised more than 10 years from the date of grant.

Shares issued as a result of stock option exercises or stock grants may be made available from authorized unissued shares of common stock or treasury stock.

Stock Options

The Company has not awarded any stock options since 2013. Stock options granted to employees or directors vested ratably over a three- or four-year vesting period and were granted with an exercise price equal to the market price of the Company s stock on the date of grant. The Company used the Black-Scholes-Merton option-pricing model to estimate the fair value of options as of the date of grant. All stock options were fully expensed as of December 31, 2016.

77

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

13. Stock-Based Compensation (continued)

Following is a summary of stock option activity for the three-year period ending December 31, 2016:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2014	1,147,320	$ 13.21		
Exercised	(134,273)	$ 7.93		
Forfeited	(2,838)	$ 22.66		
Expired	(1,428)	$ 24.26		
Outstanding at December 31, 2014	1,008,781	$ 13.87	4.2 years	$ 13,652
Exercised	(267,440)	$ 7.19		
Forfeited	(1,290)	$ 23.14		
Expired	(9,446)	$ 5.92		
Outstanding at December 31, 2015	730,605	$ 16.40	3.6 years	$ 3,722
Exercised	(443,283)	$ 14.03		
Forfeited	(933)	$ 24.68		
Expired	(40,672)	$ 21.40		
Outstanding and Exercisable at December 31, 2016	245,717	$ 19.82	4.4 years	$ 4,396

Other data relating to option activity for the years ended December 31 are as follows:

(dollars in thousands)	2016	2015	2014
Intrinsic value of options exercised	$ 7,832	$ 5,857	$ 2,383
Fair value of options vested	372	948	1,187

The following table summarizes information with respect to stock options outstanding and exercisable under the Company s plans at December 31, 2016:

	Options Outstanding and Exercisable		
Exercise Price	Number Of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
$7.98 $13.00	44,212	$ 12.72	1.0 years
$13.01 $20.00	88,638	$ 17.41	4.8 years

$20.01	$24.68	112,867	$ 24.48	5.4 years
		245,717	$ 19.82	4.4 years

Restricted Stock

Restricted stock awards granted to non-employee directors and eligible employees in 2016 vest ratably, on an annual basis, over three years. The grant date fair value of the restricted stock was equal to the closing market price of the Company s common stock on the date of grant. During the restriction period, the restricted stockholders are entitled to the same rights as a common stockholder with respect to the shares, including the right to vote and receive dividends Any dividends on restricted stock will be deferred and paid only when the stock vests and will be forfeited if the stock does not vest. Restricted stock awards are also subject to certain claw-back provisions, as defined in the grant agreements.

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

13. Stock-Based Compensation (continued)

Following is a summary of restricted stock activity for the three-year period ending December 31, 2016:

	Shares	Per Share Weighted-Average Grant Date Fair Value
Outstanding unvested at January 1, 2014	211,716	$ 21.33
Granted	82,351	$ 24.46
Vested	(64,657)	$ 20.85
Forfeited	(9,073)	$ 21.34
Outstanding unvested at December 31, 2014	220,337	$ 22.64
Granted	83,236	$ 29.21
Vested	(102,297)	$ 22.42
Forfeited	(3,131)	$ 24.10
Outstanding unvested at December 31, 2015	198,145	$ 24.48
Granted	106,968	$ 24.63
Vested	(87,033)	$ 25.11
Forfeited	(3,144)	$ 26.09
Outstanding unvested at December 31, 2016	214,936	$ 25.21

Phantom Stock Units

Phantom stock unit awards granted to Canadian non-employee directors vest ratably, on an annual basis, over three years and are settled in stock. The phantom stock unit agreements contain tandem dividend provisions which allow grantees to accrue and receive dividends, if any are declared and paid, upon vesting. The grant date fair value of the phantom stock units was equal to the closing market price of the Company s common stock on the date of grant.

Following is a summary of phantom stock activity for the two-year period ending December 31, 2016:

	Shares	Per Share Weighted-Average Grant Date Fair Value
Outstanding unvested at January 1, 2015		$ 0.00
Granted	3,804	$ 29.57

Outstanding unvested at December 31, 2015	3,804	$	29.57
Granted	5,944	$	25.23
Vested	(1,268)	$	29.57
Outstanding unvested at December 31, 2016	8,480	$	26.53

Performance Awards

The Company has granted performance awards under which shares of the Company s common stock may be earned based on the Company s performance compared to certain metrics. The number of shares actually earned under a performance award may vary from zero to 200% of the target shares awarded, based upon the Company s performance compared to the metrics. The metrics used are determined at grant by the Compensation Committee of the Board of Directors and may be either based on internal measures such as the Company s financial performance compared to target or on a market-based metric such as the Company s stock performance compared to a peer group. Performance awards cliff vest upon attainment of the stated performance targets and minimum service requirements and are paid in common shares of the Company s stock.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

13. Stock-Based Compensation (continued)

The Company recognizes stock-based compensation expense related to market-based performance awards based on the grant date fair value, which is computed using a Monte Carlo simulation, net of forfeitures. The fair value is expensed over the service period, which is approximately 2.8 years. The Company recognizes stock-based compensation expense related to internal measure-based performance awards based on the grant date fair value, which was the closing price of the Company s stock on the date of grant. The fair value is expensed over the service period of approximately 2.8 years, and the Company adjusts the stock-based compensation expense related to internal metric-based performance awards according to its determination of the potential achievement of the performance target at each reporting date, net of estimated forfeitures.

Following is a summary of performance share award activity for the three-year period ending December 31, 2016:

	Shares	Per Share Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2014	87,194	$ 21.29
Granted at target	85,078	$ 27.69
Earned for performance above target	25,292	$ 17.48
Vested	(65,237)	$ 17.48
Forfeited	(5,524)	$ 24.84
Outstanding at December 31, 2014	126,803	$ 26.63
Granted at target	69,978	$ 38.70
Forfeited for performance below target	(3,810)	$ 24.68
Vested	(40,474)	$ 24.68
Forfeited	(8,889)	$ 30.87
Outstanding at December 31, 2015	143,608	$ 32.68
Granted at target	79,661	$ 28.25
Earned for performance above target	20,650	$ 31.01
Vested	(98,270)	$ 27.74
Forfeited	(1,626)	$ 32.96
Outstanding at December 31, 2016	144,023	$ 32.92

Stock-based Compensation Expense

The Company recognized stock-based compensation expense of approximately $4.7 million, $4.8 million and $4.7 million for the years ended December 31, 2016, 2015 and 2014, respectively, in selling, general and administrative expenses. As of December 31, 2016, there was approximately $5.2 million of total unrecognized stock-based compensation expense related to awards granted under the LTIP, net of estimated forfeitures. This included $2.9 million of unrecognized compensation cost related to unvested restricted stock expected to be recognized over a remaining weighted average vesting period of approximately 1.5 years and $2.3 million of unrecognized compensation cost related to unvested performance awards, expected to be recognized over a remaining weighted average vesting period of approximately 1.6 years. Compensation cost related to unvested phantom stock has been fully expensed and has a remaining weighted average vesting period of approximately 2.1 years. Award agreements for restricted stock and phantom stock granted to non-employee directors after 2013 contained provisions which call for the vesting of all shares awarded upon change in control or resignation from the board for any reason except breach of fiduciary duty. As a result of these provisions, the fair value of restricted and phantom stock granted to the non-employee directors after 2013 was expensed on the date of the grant.

80

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

14. Employee Benefit Plans

The Company has a profit sharing and thrift employee benefit plan in effect for all eligible employees. Company contributions under this defined contribution plan are based upon a percentage of income with limitations as defined by the plan. Contributions for the years ended December 31, 2016, 2015 and 2014 amounted to $4.6 million, $3.4 million, and $6.9 million, respectively. The Company also has an employee benefit plan in effect for certain non-union hourly employees. Company contributions under this defined contribution plan are based upon a percentage of income with limitations as defined by the plan. Contributions for the years ended December 31, 2016, 2015 and 2014 amounted to $0.6 million, $0.7 million and $0.6 million, respectively.

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees, who are represented by over 100 local unions. The related collective-bargaining agreements between those organizations and the Company, which specify the rate at which the Company must contribute to the multi-employer defined pension plan, expire at different times between 2017 and 2019.

The risks of participating in these multiemployer defined benefit pension plans are different from single-employer plans in the following aspects:

1) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
2) If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3) If the Company chooses to stop participating in a multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The amount of additional funds, if any, that the Company may be obligated to contribute to these plans in the future cannot be estimated due to uncertainty of the future levels of work that require the specific use of union employees covered by these plans, as well as the future contribution levels and possible surcharges on contributions applicable to these plans.

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

14. Employee Benefit Plans (continued)

The following table summarizes plan information relating to the Company s participation in multi-employer defined benefit pension plans, including company contributions for the last three years, the status under the Pension Protection Act (PPA) of the plans and whether the plans are subject to a funding improvement or rehabilitation plan, or contribution surcharges. The most recent zone status is for the plan s year-end indicated in the table. The zone status is based on information that the Company received from the plan, as well as from publicly available information on the U.S. Department of Labor website. The PPA zone status for the plan year ended on December 31, 2016 has not been listed because Forms 5500 were not yet available. Among other factors, plans in the red critical zone are generally less than 65 percent funded, plans in the yellow endangered zone are between 65 and 80 percent funded, and plans in the green zone are at least 80 percent funded. Also listed in the table below are the Company s contributions to defined contribution plans. Information in the table has been presented separately for individually significant plans and in the aggregate for all other plans.

Total contributions to these plans correspond to the number of union employees employed at any given time and the plans in which they participate and varies depending upon the location and number of ongoing projects at a given time and the need for union resources in connection with such projects. The PPA data presented in the table above represents data available to us for the two most recent plan years.

One of the Company s subsidiaries was listed in the Eighth District Electrical Pension Fund s Form 5500 as providing more than 5 percent of the total contributions to that plan for the plan years ended March 31, 2016, 2015 and 2014 and the IBEW local 769 Management Pension Fund s Form 5500 as providing more than 5 percent of the total contributions to that plan for the plan years ended June 30, 2015 and 2014. Another of the company s subsidiaries was listed in the IBEW Local 1249 Pension Plan s Form 5500 as providing more than 5 percent of the total contributions to that plan for the plan years ended December 31, 2015 and 2014.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

15. Segment Information

MYR Group is a specialty contractor serving the United States and Canadian electrical infrastructure markets. The Company has two reporting segments, each a separate operating segment, which are referred to as T&D and C&I. Performance measurement and resource allocation for the reporting segments are based on many factors. The primary financial measures used to evaluate the segment information are contract revenues and income from operations, excluding general corporate expenses. General corporate expenses include corporate facility and staffing costs, which includes safety costs, professional fees, management fees, and intangible amortization. The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies.

Transmission and Distribution: The T&D segment provides a broad range of services on electric transmission and distribution networks and substation facilities which include design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair. T&D services include the construction and maintenance of high voltage transmission lines, substations and lower voltage underground and overhead distribution systems. The T&D segment also provides emergency restoration services in response to hurricane, ice or other storm-related damage. T&D customers include investor-owned utilities, cooperatives, private developers, government-funded utilities, independent power producers, independent transmission companies, industrial facility owners and other contractors.

Commercial and Industrial: The C&I segment provides services such as the design, installation, maintenance and repair of commercial and industrial wiring, installation of traffic networks and the installation of bridge, roadway and tunnel lighting. Typical C&I contracts cover electrical contracting services for airports, hospitals, data centers, hotels, stadiums, convention centers, manufacturing plants, processing facilities, waste-water treatment facilities, mining facilities and transportation control and management systems. C&I segment services are generally performed in the western and northeastern United States and in western Canada.

The information in the following table is derived from the segment s internal financial reports used for corporate management purposes:

	For the Year Ended December 31,		
(in thousands)	2016	2015	2014
Contract revenues:			
T&D	$ 818,972	$ 794,898	$ 699,595
C&I	323,515	266,783	244,372
	$ 1,142,487	$ 1,061,681	$ 943,967
Income from operations:			
T&D	$ 63,459	$ 63,155	$ 75,439
C&I	13,920	13,592	16,542
General Corporate	(38,625)	(31,906)	(33,577)
	$ 38,754	$ 44,841	$ 58,404

83

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

15. Segment Information (continued)

The Company does not identify capital expenditures and total assets by segment in its internal financial reports due in part to the shared use of a centralized fleet of vehicles and specialized equipment. Identifiable assets, consisting of contract receivables, costs and estimated earnings in excess of billings on uncompleted contracts, construction materials inventory, goodwill and intangibles for each segment are as follows as of December 31:

(in thousands)	2016	2015
T&D	$ 235,548	$ 204,309
C&I	125,696	92,939
Other	212,251	227,677
	$ 573,495	$ 524,925

An allocation of total depreciation, including depreciation of shared construction equipment, and amortization to each segment is as follows:

	For the Year Ended December 31,		
(in thousands)	2016	2015	2014
Depreciation and amortization			
T&D	$ 35,947	$ 35,456	$ 30,957
C&I	3,175	2,573	2,466
	$ 39,122	$ 38,029	$ 33,423

For the year ended December 31, 2016, the Company had Canadian contract revenues of $36.5 million, of which $26.9 million and $9.6 million is attributable to the T&D and C&I segments, respectively. For the year ended December 31, 2015, the Company had Canadian contract revenues of $1.5 million, of which $1.4 million and $0.1 million is attributable to the T&D and C&I segments, respectively. The Company had no Canadian contract revenues in the year ended December 31, 2014. As of December 31, 2016 and 2015, there were $52.2 million and $1.9 million, respectively, of identifiable assets attributable to Canadian operations.

16. Earnings Per Share

The Company computes earnings per share using the treasury stock method unless the two-class method is more dilutive. The Company computed earnings per share for the years ended December 31, 2016 and 2015 using the treasury stock method. Under the treasury stock method, basic earnings per share are computed by dividing net income available to shareholders by the weighted average number of common shares outstanding during the period, and diluted earnings per share are computed by dividing net income available to shareholders by share is computed using the weighted average number of common shares outstanding during the period adjusted for plus all potentially dilutive common stock equivalents, except in cases where the effect of the common stock equivalent would be anti-dilutive.

For the year ended December 31, 2014, the Company computed earnings per share using the two-class method because that method resulted in a more dilutive effect than the treasury stock method. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under the two-class method, the Company s unvested grants of restricted stock that contained non-forfeitable rights to dividends were treated as participating securities and were excluded from the computation of basic and diluted earnings per share. All shares of restricted stock granted since 2013 are not participating because the grant agreements contain provisions that dividends, if declared, will be forfeited if the grantee leaves the Company before the stock is vested.

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

16. Earnings Per Share (continued)

Net income available to common shareholders and the weighted average number of common shares used to compute basic and diluted earnings per share was as follows:

	For the Year Ended December 31,		
(in thousands, except per share data)	2016	2015	2014
Numerator:			
Net income	$ 21,431	$ 27,302	$ 36,544
Less: Net income allocated to participating securities			(277)
Net income available to common shareholders	$ 21,431	$ 27,302	$ 36,267
Denominator:			
Weighted average common shares outstanding	17,109	20,577	20,922
Weighted average dilutive securities	352	461	544
Weighted average common shares outstanding, diluted	17,461	21,038	21,466
Income per common share, basic	$ 1.25	$ 1.33	$ 1.73
Income per common share, diluted	$ 1.23	$ 1.30	$ 1.69

For the years ended December 31, 2016, 2015 and 2014, certain common stock equivalents were excluded from the calculation of dilutive securities because their inclusion would either have been anti-dilutive or, for stock options, the exercise prices of those stock options were greater than the average market price of the Company s common stock for the period. All of the Company s non-participating unvested restricted shares were included in the computation of weighted average dilutive securities. The following table summarizes the shares of common stock underlying the Company s unvested stock options and performance awards that were excluded from the calculation of dilutive securities:

(In thousands)	2016	2015	2014
Stock options		3	100
Performance awards	63	34	

Share Repurchase Program

During 2016, the Company s Board of Directors approved two amendments to the share repurchase program (Repurchase Program), which increased the Repurchase Program from $67.5 million to $162.5 million and extended the term of the program through August 15, 2017. During 2016, the Company repurchased 4,227,541 shares of its common stock at a weighted-average price of $23.79 per share; 4,189,858 of those shares were purchased under its Repurchase Program for approximately $99.8 million. Additionally, the Company repurchased 37,683 shares of stock, for approximately $0.9 million, from its employees to satisfy tax obligations on shares vested under the LTIP. All of the shares repurchased were retired and returned to authorized but unissued stock. The remaining availability to purchase shares under the Repurchase Program was $20.0 million as of December 31, 2016.

TABLE OF CONTENTS

MYR GROUP INC.

NOTES TO FINANCIAL STATEMENTS

17. Quarterly Financial Data (Unaudited)

The following table presents the unaudited consolidated operating results by quarter for the years ended December 31, 2016 and 2015:

	For the Three Months Ended			
(in thousands, except per share data)	March 31,	June 30,	September 30,	December 31,
2016:				
Revenues	$ 253,634	$ 261,934	$ 283,259	$ 343,660
Gross profit	27,281	31,435	34,063	41,944
Net income	1,987	5,500	6,146	7,798
Basic earnings per share	$ 0.10	$ 0.32	$ 0.39	$ 0.49
Diluted earnings per share	$ 0.10	$ 0.31	$ 0.38	$ 0.48
2015:				
Revenues	$ 244,148	$ 276,488	$ 269,861	$ 271,184
Gross profit	29,374	31,736	28,620	32,611
Net income	7,172	8,074	6,175	5,881
Basic earnings per share	$ 0.35	$ 0.39	$ 0.30	$ 0.29
Diluted earnings per share	$ 0.34	$ 0.38	$ 0.29	$ 0.29

Earnings per share amounts for each quarter are required to be computed independently using the weighted average number of shares outstanding during the period. As a result, the sum of the individual quarterly earnings per share amounts may not agree to the earnings per share calculated for the year.

TABLE OF CONTENTS

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management, together with our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this annual report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and provided reasonable assurance related to the matters stated in the above paragraph as of December 31, 2016.

Evaluation of Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management s annual report on internal control over financial reporting and the report of our independent registered public accounting firm appear in Part II, Item 8 Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

This annual report on Form 10-K includes a report of management s assessment regarding internal control over financial reporting (see Management s Report on Internal Control over Financial Reporting) and an attestation report of our independent registered public accounting firm regarding internal control over financial reporting (see Report of Independent Registered Public Accounting Firm).

For the year ended December 31, 2016, management s assessment of our internal control over financial reporting excluded the internal control over financial reporting of Western Pacific Enterprises Ltd., which was acquired on October 28, 2016. We are permitted to exclude subsidiaries that we acquired during 2016 from management s 2016 internal control assessment. Western Pacific Enterprises Ltd., represented a total of approximately 4.8% and 1.5% of total assets and net assets, respectively, as of December 31, 2016, and 0.8% and (2.4)% of contract revenues and income from operations, respectively, for the year then ended.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter ended December 31, 2016 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will detect or prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the

87

TABLE OF CONTENTS

degree of compliance with the policies or procedures may deteriorate. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None.

TABLE OF CONTENTS

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item 10 related to our directors is incorporated by reference to the information to be included under Proposal No. 1. Election of Directors of our definitive Proxy Statement for our Annual Meeting of Stockholders scheduled to be held April 27, 2017 (2017 Proxy Statement). Information about compliance with Section 16(a) of the Exchange Act is incorporated by reference to the information to be included under the heading Section 16(a) Beneficial Ownership Reporting Compliance in our 2017 Proxy Statement. Information regarding the procedures by which our stockholders may recommend nominees to our board of directors is incorporated by reference to the information to be included under the heading Nominating and Corporate Governance Committee Matters Criteria for Nomination to the Board of Directors and Diversity in our 2017 Proxy Statement. Information about our Audit Committee, including its members, and our Audit Committee financial experts, is incorporated by reference to the information to be included under the headings Audit Committee Matters in our 2017 Proxy Statement. The balance of the information required by this item is contained in the discussion entitled Executive Officers in Part I of this Annual Report on Form 10-K.

We have a code of ethics that applies to all of our directors, officers and other employees. This code is publicly available on our website at *www.myrgroup.com*. Amendments to the code of ethics or any grant of a waiver from a provision of the code requiring disclosure under applicable SEC and NASDAQ Global Market rules will be disclosed on our website or, if so required, disclosed in a Current Report on Form 8-K filed with the SEC. The information on our website is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated into any other filings we make with the SEC.

Item 11. Executive Compensation

The information required by this Item 11 is incorporated by reference to the information to be included in our 2017 Proxy Statement under the headings Director Compensation, Compensation Discussion and Analysis, Executive Compensation Tables and Compensation Committee Matters Compensation Committee Report for the Year Ended December 31, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 is incorporated by reference to the information to be included in our 2017 Proxy Statement under the headings Ownership of Equity Securities, and Compensation Discussion and Analysis.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 is incorporated by reference to the information to be included in our 2017 Proxy Statement under the headings Certain Relationships and Related Person Transactions and Corporate Governance-Director Independence.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 is incorporated by reference to the information to be included in our 2017 Proxy Statement under the heading Audit Committee Matters Independent Auditors Fees.

TABLE OF CONTENTS

PART IV

Item 15. Exhibits and Financial Statement Schedules

i) Documents filed as part of this Report

(1) The following Financial Statements are filed herewith in Item 8 of Part II above.

(a) Report of Management

(b) Reports of Independent Registered Public Accounting Firm

(c) Consolidated Balance Sheets

(d) Consolidated Statements of Operations

(e) Consolidated Statements of Comprehensive Income

(f) Consolidated Statements of Stockholders Equity

(g) Consolidated Statements of Cash Flows

(h) Notes to Financial Statements

ii) Financial Statement Schedules

All other supplemental schedules are omitted because of the absence of conditions under which they are required, or the required information is shown in the notes to the Financial Statements.

TABLE OF CONTENTS

iii) Exhibit List

Number	Description
3.1	Restated Certificate of Incorporation, incorporated by reference to exhibit 3.1 of the Company s Form 8-K (File No. 001-08325), filed with the SEC on May 7, 2014
3.2	Amended and Restated By-Laws, incorporated by reference to exhibit 3.1 of the Company s Form 8-K (File No. 001-08325), filed with the SEC on December 22, 2015
4.1	Specimen Common Stock Certificate, incorporated by reference to exhibit 4.2 of the Company s Registration Statement on Form S-1/A (File No. 333-148864), filed with the SEC on July 14, 2008
10.1	Credit Agreement, dated December 21, 2011, between the Registrant and J.P. Morgan Chase Bank, N.A., Bank of America, N.A., PNC Bank, National Association, BMO Harris Bank N.A and Wells Fargo Bank, National Association, incorporated by reference to exhibit 10.1 of the Company s Current Report on Form 8-K (File No. 001-08325), filed with the SEC on December 23, 2011
10.2	Pledge and Security Agreement, dated December 21, 2011, between the Registrant, certain of its Subsidiaries and J.P. Morgan Chase Bank, N.A., in its capacity as administrative agent for the lenders party to the Credit Agreement, incorporated by reference to exhibit 10.2 of the Company s Current Report on Form 8-K (File No. 001-08325), filed with the SEC on December 23, 2011
10.3	Guaranty, dated December 21, 2011, between certain Subsidiaries of the Registrant in favor of J.P. Morgan Chase Bank, N.A., as administrative agent for the benefit of the Holders of Secured Obligations under the Credit Agreement, incorporated by reference to exhibit 10.3 of the Company s Current Report on Form 8-K (File No. 001-08325), filed with the SEC on December 23, 2011
10.4	Amended and Restated 2006 Stock Option Plan, incorporated by reference to exhibit 10.1 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 001-08325), filed with the SEC on August 10, 2009+
10.5	Form of Option Award under 2006 Stock Option Plan, incorporated by reference to exhibit 10.2 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (File No. 001-08325), filed with the SEC on August 10, 2009+
10.6	MYR Group Inc. 2007 Long-Term Incentive Plan (Amended and Restated as of May 1, 2014), incorporated by reference to exhibit 10.1 of the Company s Form 8-K (File No. 001-08325), filed with the SEC on May 7, 2014+
10.7	Form of Named Executive Officer Nonqualified Stock Option Award under the 2007 Long-Term Incentive Plan, incorporated by reference to exhibit 10.1 of the Company s Form 10-Q for the quarter ended March 31, 2010 (File No. 001-08325), filed with the SEC on May 10, 2010+
10.8	Form of Named Executive Officer Restricted Stock Award under the 2007 Long-Term Incentive Plan, incorporated by reference to exhibit 10.2 of the Company s Form 10-Q for the quarter ended March 31, 2010 (File No. 001-08325), filed with the SEC on May 10, 2010+
10.9	Form of Named Executive Officer Performance Share Award under the 2007 Long-Term Incentive Plan, incorporated by reference to exhibit 10.3 of the Company s Form 10-Q for the quarter ended March 31, 2010 (File No. 001-08325), filed with the SEC on May 10, 2010+
10.10	Form of Independent Director Restricted Stock Award under the 2007 Long-Term Incentive Plan, incorporated by reference to exhibit 10.4 of the Company s Form 10-Q for the quarter ended March 31, 2010 (File No. 001-08325), filed with the SEC on May 10, 2010+
10.11	Form of Employment Agreement, dated March 11, 2010, between the Registrant and Executive Officer, incorporated by reference to exhibit 10.5 of the Company s Form 10-Q for the quarter ended March 31, 2010 (File No. 001-08325), filed with the SEC on May 10, 2010+
10.12	Form of Indemnification Agreement for Directors and Officers, incorporated by reference to exhibit 10.1 of the Company s Form 8-K (File No. 001-08325), filed with the SEC on May 11, 2011+

91

TABLE OF CONTENTS

Number	Description
10.13	MYR Group Senior Management Incentive Plan, Amended and Restated as of May 1, 2014, incorporated by reference to exhibit 10.2 of the Company s Current Report on Form 8-K (File No. 001-08325), filed with the SEC on May 7, 2014+
10.14	Form of Named Executive Officer Restricted Stock Award under 2007 Long-Term Incentive Plan, incorporated by reference to exhibit 10.15 of the Company s Form 10-K for the year ended December 31, 2013 (File No. 001-08325), filed with the SEC on March 5, 2014+
10.15	Form of Named Executive Officer Performance Share Award under 2007 Long-Term Incentive Plan, incorporated by reference to exhibit 10.16 of the Company s Form 10-K for the year ended December 31, 2013 (File No. 001-08325), filed with the SEC on March 5, 2014+
10.16	Form of Independent Director Restricted Stock Award under 2007 Long-Term Incentive Plan, incorporated by reference to exhibit 10.17 of the Company s Form 10-K for the year ended December 31, 2013 (File No. 001-08325), filed with the SEC on March 5, 2014+
10.17	Form of Independent Director Phantom Stock and Dividend Equivalents Award under the 2007 Long-Term Incentive Plan, incorporated by reference to exhibit 10.1 of the Company s Form 10-Q for the quarter ended June 30, 2015 (File No. 001-08325), filed with the SEC on August 5, 2015+
10.18	Employment agreement with Betty R. Johnson, incorporated by reference to exhibit 10.1 of the Company s Form 10-Q for the quarter ended September 30, 2015 (File No. 001-08325), filed with the SEC on November 4, 2015+
10.19	Employment Agreement, dated April 29, 2015 between the Company and Tod Cooper, incorporated by reference to exhibit 10.21 of the Company s Form 10-K for the year ended December 31, 2015 (File No. 001-08325), filed with the SEC on March 3, 2015+
10.20	Agreement, dated March 22, 2016, by and among MYR Group Inc., Engine Capital Management, LLC, Engine Capital, L.P., Engine Jet Capital, L.P., Engine Airflow Capital, L.P., Engine Investments, LLC, Engine Investments II, LLC, Arnaud Ajdler and John P. Schauerman, incorporated by reference to exhibit 10.1 of the Company s Current Report on Form 8-K (File No. 001-08325), filed with the SEC on March 23, 2016
10.21	Amended and Restated Credit Agreement, dated June 30, 2016, incorporated by reference to exhibit 10.1 of the Company s Current Report on Form 8-K (File No. 001-08325), filed with the SEC on July 7, 2016
10.22	Joinder, Amendment No. 1 and Reaffirmation of Pledge and Security Agreement, dated June 30, 2016, incorporated by reference to exhibit 10.2 of the Company s Current Report on Form 8-K (File No. 001-08325), filed with the SEC on July 7, 2016
10.23	Joinder, Amendment No. 1 and Reaffirmation of Guaranty, dated June 30, 2016, incorporated by reference to exhibit 10.3 of the Company s Current Report on Form 8-K (File No. 001-08325), filed with the SEC on July 7, 2016
10.24	Amended and Restated Employment Agreement, dated January 1, 2017, between the Company and William A. Koertner +
10.25	Amendment to the Employment Agreement, dated January 1, 2017, between the Company and Richard S. Swartz, Jr. +
10.26	Amendment to the Employment Agreement, dated January 1, 2017, between the Company and Tod Cooper +
10.27	Employment Agreement, dated January 1, 2017, between the Company and Jeffrey Waneka +
10.28	Agreement, dated January 30, 2017, by and among MYR Group Inc., Engine Capital Management, LLC, Engine Capital, L.P., Engine Jet Capital, L.P., Engine Airflow Capital, L.P., Engine Investments, LLC, Engine Investments II, LLC and Bradley Favreau
21.1	List of Subsidiaries

23.1	Consent of Ernst & Young LLP
24.1	Power of Attorney
31.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)

92

TABLE OF CONTENTS

Number	Description
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

Filed herewith.

+ Indicates management contract or compensatory plan or arrangement.

* Electronically filed.

93

TABLE OF CONTENTS

SIGNATURES

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

	MYR Group Inc. (Registrant) /s/ BETTY R. JOHNSON
March 9, 2017	Name: Betty R. Johnson Title: *Senior Vice President, Chief Financial Officer and Treasurer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
* Richard S. Swartz, Jr.	President and Chief Executive Officer (Principal Executive Officer)	March 9, 2017
/s/ BETTY R. JOHNSON Betty R. Johnson	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 9, 2017
* William A. Koertner	Executive Chairman of the Board of Directors	March 9, 2017
* Jack L. Alexander	Director	March 9, 2017
* Larry F. Altenbaumer	Director	March 9, 2017
* Bradley T. Favreau	Director	March 9, 2017
* Henry W. Fayne	Director	March 9, 2017
* Kenneth M. Hartwick	Director	March 9, 2017
* Gary R. Johnson	Director	March 9, 2017
	Director	March 9, 2017

* Donald C.I. Lucky		
* Maurice E. Moore	Director	March 9, 2017
* William D. Patterson	Director	March 9, 2017
*By: /s/ BETTY R. JOHNSON (Betty R. Johnson) *(Attorney-in-fact)*		March 9, 2017

94