MYR GROUP INC.
Form 10-K/A
February 16, 2017

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
# Washington, D.C. 20549

# FORM 10-K/A
# Amendment No. 1

| | |
|---|---|
| x | **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**<br>**For the fiscal year ended December 31, 2015** |
| o | **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**<br>**For the transition period from to** |

**Commission file number: 1-08325**

# MYR GROUP INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | **36-3158643** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**1701 Golf Road, Suite 3-1012**
**Rolling Meadows, IL 60008**

(Address of principal executive offices, including zip code)

**(847) 290-1891**

(Registrant s telephone number, including area code)

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

| Title of Each Class | Name of Exchange on Which Registered |
|---|---|
| Common Stock, $0.01 par value | NASDAQ |

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

# None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

As of June 30, 2015 (the last business day of the registrant s most recently completed second fiscal quarter), the aggregate market value of the outstanding common equity held by non-affiliates of the registrant was approximately $633.4 million, based upon the closing sale price of the common stock on such date as reported by the NASDAQ Global Market (for purposes of calculating this amount, only directors, officers and beneficial owners of 10% or more of the outstanding capital stock of the registrant have been deemed affiliates).

As of February 26, 2016 there were 19,437,086 shares of the registrant s $0.01 par value common stock outstanding.

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# EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-K/A (the Amendment ) to our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on March 3, 2016 (the Original Filing ), solely to:

amend each of Item 8 Financial Statements and Supplementary Data and Item 9A Controls and Procedures, to properly disclose the exclusion of the internal controls over financial reporting of the two businesses acquired in 2015 from management s assessment of, and the auditor s attestation regarding, internal controls over financial reporting as of December 31, 2015. 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.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have repeated the entire text of Item 8 and Item 9A of the Form 10-K in this Amendment. However, there have been no changes to the text of such item other than the change stated in the immediately preceding paragraph.

As a result of these amendments, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, filed as exhibits to the Original Filing, have been re-executed and re-filed as of the date of this Form 10-K/A.

Except as described above, this Form 10-K/A does not modify or update any other disclosures in, including any of the financial information disclosed in Part II, or exhibits to, the Original Filing.

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# MYR GROUP INC.

# ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

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Throughout this report, references to MYR Group, the Company, we, us, and our refer to MYR Group Inc. an consolidated subsidiaries, except as otherwise indicated or as the context otherwise requires.

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# PART II

Item 8. Financial Statements and Supplementary Data

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# 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, 2015 to provide 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 and conclusion of the Company s internal control over financial reporting as of December 31, 2015 excluded the internal control over financial reporting of E.S. Boulos Company and High Country Line Construction, Inc., which were acquired on April 13, 2015 and November 24, 2015, respectively. E.S. Boulos Company and High Country Line Construction, Inc., combined, represented a total of approximately 5.7% and 5.3% of total assets and net assets, respectively, as of December 31, 2015, and 4.9% and 8.4% 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 our Form 10-K filed with the Securities and Exchange Commission on March 3, 2016, has audited the effectiveness of MYR Group s internal control over financial reporting as of December 31, 2015 as stated in their report which appears herein.

March 3, 2016

# 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, 2015 and 2014, 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, 2015. 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, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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, 2015, 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 3, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
March 3, 2016

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# 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, 2015, 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 E.S. Boulos Company and High Country Line Construction, Inc., which are included in the 2015 consolidated financial statements of MYR Group Inc. and constituted approximately 5.7% and 5.3% of total assets and net assets, respectively, as of December 31, 2015, and 4.9% and 8.4% 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 E.S. Boulos Company and High Country Line Construction, Inc.

In our opinion, MYR Group Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, 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, 2015 and 2014, 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, 2015 of MYR Group Inc. and our report dated March 3, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
March 3, 2016

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# MYR GROUP INC.

# CONSOLIDATED BALANCE SHEETS

| (in thousands, except share and per share data) | December 31, 2015 | 2014 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $39,797 | $77,636 |
| Accounts receivable, net of allowances of $376 and $1,179, respectively | 187,235 | 158,101 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 51,486 | 44,609 |
| Deferred income tax assets | | 11,905 |
| Receivable for insurance claims in excess of deductibles | 11,290 | 12,311 |
| Refundable income taxes | 5,617 | 2,059 |
| Other current assets | 7,942 | 6,880 |
| Total current assets | 303,367 | 313,501 |
| Property and equipment, net of accumulated depreciation of $181,575 and $147,956, respectively | 160,678 | 148,654 |
| Goodwill | 47,124 | 46,599 |
| Intangible assets, net of accumulated amortization of $3,798 and $3,227, respectively | 11,362 | 9,865 |
| Other assets | 2,394 | 1,467 |
| Total assets | $524,925 | $520,086 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | $73,300 | $62,247 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 40,614 | 38,121 |
| Accrued self insurance | 36,967 | 39,480 |
| Other current liabilities | 28,856 | 31,740 |
| Total current liabilities | 179,737 | 171,588 |
| Deferred income tax liabilities | 14,382 | 24,729 |
| Other liabilities | 926 | 1,216 |
| Total liabilities | 195,045 | 197,533 |
| 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, 2015 and December 31, 2014 | | |
| Common stock $0.01 par value per share; 100,000,000 authorized shares; 19,969,347 and 20,791,623 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively | 198 | 206 |
| Additional paid-in capital | 161,342 | 151,111 |
| Accumulated other comprehensive income | 116 | 13 |
| Retained earnings | 168,224 | 171,223 |
| Total stockholders equity | 329,880 | 322,553 |

| | | |
|---|---|---|
| Total liabilities and stockholders equity | $524,925 | $520,086 |

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

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# MYR GROUP INC.

# CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

| | Year ended December 31, | | |
|---|---|---|---|
| (in thousands, except per share data) | 2015 | 2014 | 2013 |
| Contract revenues | $1,061,681 | $943,967 | $902,729 |
| Contract costs | 939,340 | 811,553 | 777,852 |
| Gross profit | 122,341 | 132,414 | 124,877 |
| Selling, general and administrative expenses | 79,186 | 73,818 | 69,818 |
| Amortization of intangible assets | 571 | 334 | 335 |
| Gain on sale of property and equipment | (2,257) | (142) | (893) |
| Income from operations | 44,841 | 58,404 | 55,617 |
| Other income (expense): | | | |
| Interest income | 25 | 106 | 9 |
| Interest expense | (741) | (722) | (727) |
| Other, net | 174 | 162 | (27) |
| Income before provision for income taxes | 44,299 | 57,950 | 54,872 |
| Income tax expense | 16,997 | 21,406 | 20,113 |
| Net income | $27,302 | $36,544 | $34,759 |
| Income per common share: | | | |
| Basic | $1.33 | $1.73 | $1.65 |
| Diluted | $1.30 | $1.69 | $1.61 |
| Weighted average number of common shares and potential common shares outstanding: | | | |
| Basic | 20,577 | 20,922 | 20,821 |
| Diluted | 21,038 | 21,466 | 21,431 |
| Net income | $27,302 | $36,544 | $34,759 |
| Other comprehensive income: | | | |
| Foreign currency translation adjustment | 103 | 13 | |
| Other comprehensive income | 103 | 13 | |
| Total comprehensive income | $27,405 | $36,557 | $34,759 |

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

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# 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 | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2012 | $ | 20,747 | $ 206 | $ 154,564 | $ | $ 99,920 | $ 254,690 |
| Net income | | | | | | 34,759 | 34,759 |
| Stock issued under compensation plans, net | | 494 | 4 | 2,300 | | | 2,304 |
| Tax benefit from stock-based awards | | | | 1,305 | | | 1,305 |
| Stock-based compensation expense | | | | 3,519 | | | 3,519 |
| Shares repurchased | | (21 ) | | (542 ) | | | (542 ) |
| Stock issued other | | 3 | | 56 | | | 56 |
| 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 ) |
| 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 | | | | 13,965 | | (13,965 ) | |

| | | | | | | |
|---|---|---|---|---|---|---|
| repurchased | | | | | | |
| Stock issued other | | | 28 | | | 28 |
| Balance at December 31, 2015 | $ 19,969 | $ 198 | $ 161,342 | $ 116 | $ 168,224 | $ 329,880 |

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

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# MYR GROUP INC.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended December 31, | | |
|---|---|---|---|
| (in thousands) | 2015 | 2014 | 2013 |
| Cash flows from operating activities: | | | |
| Net income | $27,302 | $36,544 | $34,759 |
| Adjustments to reconcile net income to net cash flows provided by operating activities | | | |
| Depreciation and amortization of property and equipment | 37,458 | 33,089 | 28,860 |
| Amortization of intangible assets | 571 | 334 | 335 |
| Stock-based compensation expense | 4,837 | 4,671 | 3,519 |
| Deferred income taxes | 1,558 | 3,655 | 381 |
| Gain on sale of property and equipment | (2,257) | (142) | (893) |
| Other non-cash items | 200 | 139 | 151 |
| Changes in operating assets and liabilities, net of acquisitions | | | |
| Accounts receivable, net | (17,765) | 15,706 | (6,227) |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (4,597) | (4,090) | 21,254 |
| Receivable for insurance claims in excess of deductibles | 1,021 | (922) | (10) |
| Other assets | (5,634) | (1,255) | (2,138) |
| Accounts payable | 6,742 | (17,303) | (5,289) |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 1,003 | (14,831) | 20,363 |
| Accrued self insurance | (2,616) | 369 | (472) |
| Other liabilities | (4,823) | (988) | 469 |
| Net cash flows provided by operating activities | 43,000 | 54,976 | 95,062 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of property and equipment | 2,758 | 320 | 1,151 |
| Cash paid for acquisitions, net of cash acquired | (13,087) | | |
| Purchases of property and equipment | (46,599) | (39,045) | (42,725) |
| Net cash flows used in investing activities | (56,928) | (38,725) | (41,574) |
| Cash flows from financing activities: | | | |
| Proceeds from exercise of stock options | 1,923 | 725 | 2,304 |
| Excess tax benefit from stock-based awards | 1,720 | 615 | 1,323 |
| Repurchase of common shares | (27,582) | (16,447) | (542) |
| Other financing activities | 28 | 38 | 56 |
| Net cash flows provided by (used in) financing activities | (23,911) | (15,069) | 3,141 |
| Net increase (decrease) in cash and cash equivalents | (37,839) | 1,182 | 56,629 |
| Cash and cash equivalents: | | | |
| Beginning of period | 77,636 | 76,454 | 19,825 |
| End of period | $39,797 | $77,636 | $76,454 |
| Supplemental Cash Flow Information: | | | |

| | | | |
|---|---|---|---|
| Cash paid during the period for: | | | |
| Income taxes payments | $ 16,960 | $ 17,403 | $ 18,115 |
| Interest payments | 591 | 577 | 571 |
| Noncash investing activities: | | | |
| Acquisition of property and equipment for which payment is pending | 1,328 | 749 | 804 |
| Noncash financing activities: | | | |
| Share repurchases that have not settled | 896 | | |

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

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# 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; MYR Group Construction Canada, Ltd., a British Columbia corporation; MYR Transmission Services Canada, Ltd., a British Columbia corporation; and Northern Transmission Services, 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. The Company 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.

## 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.

### Reclassification

A reclassification was made in the current year presentation of the consolidated balance sheets and consolidated statements of stockholder s equity. The Company adjusted the classification of the impact of shares repurchased, which had previously been recorded as a deduction to additional paid-in capital, to a deduction allocated between additional paid-in capital and retained earnings. As a result of this reclassification, retained earnings were reduced by $14.0 million and additional paid-in capital was increased by the same amount. Additionally, comprehensive income associated with the start-up of the Company s Canadian operations, which was included in additional paid-in capital in the December 31, 2014 balance sheet, was reclassified to accumulated other comprehensive income.

## 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 either input (e.g., costs incurred under the cost-to-cost method) or output (e.g., units delivered under the units-of-delivery method), as appropriate under the circumstances.

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 contracts, the Company uses 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. The Company recognizes revenues from construction services with fees based on time-and-materials, unit prices, or cost-plus fee as the services are performed and amounts are earned.

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

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

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. 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.

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 foreign currency denominated balances, are recorded in the other, net line on the consolidated statements of operations. For the year ended December 31, 2015, the Company recorded $0.3 million of foreign currency losses.

## 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, 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 2015, 2014 and 2013, the Company revised its cost estimates on several large multi-year transmission projects, which resulted in the recognition of approximately 0.5%, 1.9% and 0.8% of incremental

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# NOTES TO FINANCIAL STATEMENTS

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

gross margin, respectively. 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 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. During 2013, the incremental gross margin resulted in $7.7 million of additional income from operations, $4.9 million of additional net income, and increased diluted earnings per share by $0.23.

### Advertising

Advertising costs are expensed when incurred. Advertising costs, included in selling, general and administrative expenses, were $0.5 million, $0.4 million and $0.3 million for the years ended December 31, 2015, 2014 and 2013, 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.

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, net line, respectively.

### Stock-Based Compensation

The Company determines compensation expense for stock-based awards based on their estimated fair value at the grant date and recognizes the related compensation expense over the vesting period or requisite service period, whichever is shorter. The Company uses the straight-line attribution method to recognize compensation expense related to stock-based awards that have graded vesting and only service conditions. This method recognizes stock compensation expense on a straight-line basis over the requisite service period for the entire award. Stock-based compensation expense is adjusted for changes in estimated and actual forfeitures. The Company uses historical data to estimate the forfeiture rate that it uses; however, these estimates are subject to change and may impact the value that will ultimately be recognized as stock compensation expense. 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 Company recognizes stock-based compensation expense related to non-market-based performance awards according to its determination of the potential achievement of the performance target at each reporting date, net of estimated forfeitures.

## 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 year ended December 31, 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 years ended December 31, 2014 and 2013, 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

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

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

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.

### 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, 2015 and 2014, the Company held its cash in checking accounts or in highly liquid money market funds.

### 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 estimates that approximately 90% of retainage recorded at December 31, 2015 will be collected within one year.

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.

## Construction Materials Inventory

When required, the Company provides construction materials for projects. Construction materials which have not yet been installed are included in construction materials inventory. Construction materials inventories are stated at the lower of cost or market, as determined by the specific identification method. As of December 31, 2015 and 2014, the Company did not carry any construction materials inventory.

## 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

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# 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. Additional financial information related to our property and equipment is provided in Note 6 to the Financial Statements.

The Company leases certain real estate, construction equipment and office equipment. Real estate is generally leased for terms up to ten years in duration. No new construction equipment leases have been entered into since 2010, although the Company continues to rent some equipment under short-term, cancelable agreements. The terms and conditions of leases, 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 $0.1 million deductible 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

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# NOTES TO FINANCIAL STATEMENTS

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

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.

As a result of the annual qualitative review process in 2014 and 2013, the Company determined it was not necessary to perform a two-step analysis. Additional financial information related to our goodwill and intangible assets is provided in Note 7 to the Financial Statements.

### 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 normal 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, 2015, one customer individually exceeded 10.0% of consolidated accounts receivable with an aggregate of approximately 13.0% of the total consolidated accounts receivable amount (excluding the impact of allowance for doubtful accounts). As of December 31, 2014, one customer individually exceeded 10.0% of consolidated accounts receivable with an aggregate of approximately 14.2% 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 44.6%, 46.5% and 57.8% of consolidated revenues for the years ended December 31, 2015, 2014 and 2013, respectively. For the years ended December 31, 2015, 2014 and 2013, no single customer accounted for more than 10.0% of annual revenues.

As of December 31, 2015, 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 have minimal impact on its Financial Statements.

## Recently Issued Accounting Pronouncements

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 a duration of one year of 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

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

basis. Based on certain characteristics, leases are classified as financing leases or operating leases. Financing lease liabilities, those that contain provisions similar to capitalized leases, are amortized like capital leases are 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. The Company is evaluating 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.

In May 2014, the FASB issued ASU No. 2014-09*, Revenue from Contracts with Customers (Topic 606).* The amendments under this pronouncement may 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. The update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2016. 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 is evaluating the impact of this pronouncement on its policies and procedures pertaining to recognition of revenue from contracts with customers, the pronouncement s expanded disclosure requirements and the impact on the Company s Financial Statements.

### Recently Adopted Accounting Pronouncements

In November 2015, the FASB issued ASU 2015-17 *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. The amendments in ASU 2015-17 simplify the accounting for, and presentation of, deferred taxes by eliminating the need to separately classify the current amount of deferred tax assets or liabilities. Instead, aggregated deferred tax assets and liabilities are classified and reported as non-current assets or liabilities. The update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2016.

Early adoption is permitted for financial statements that have not been issued. The Company elected to prospectively adopt ASU 2015-17 on December 31, 2015 and reclassified all deferred tax assets in current assets to deferred income tax liabilities. The adoption of ASU 2015-17 did not have a significant impact on the Company s Financial Statements.

In September 2015, the FASB issued ASU 2015-16 *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. The amendments in ASU 2015-16 simplify the accounting for adjustments to provisional amounts by eliminating the requirements to record those adjustments retrospectively. The update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been issued. The Company elected to adopt ASU 2015-16 in September 2015, which did not have a significant impact on the Company s Financial Statements.

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

In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. This update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. Obligations within the scope of this update include debt arrangements, other contractual obligations and settled litigation and judicial rulings. The Company adopted this ASU in January 2014 and there was no impact on its Financial Statements.

## 2. Acquisitions

### E.S. Boulos Company

On April 13, 2015, the Company acquired substantially all of the assets of E.S. Boulos Company ( ESB ), one of New England s largest and most experienced electrical contractors with over 95 years in operation, from a subsidiary of Eversource Energy. The total consideration paid was approximately $11.4 million, subject to working capital adjustments, 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 results of operations for ESB are included in the Company s consolidated statement of operations and the T&D and C&I segments 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. The purchase accounting for ESB was complete as of December 31, 2015. The following table summarizes the allocation of the opening balance sheet from the date of acquisition through December 31, 2015:

| (in thousands) | (as of acquisition date) April 13, 2015 | Measurement Period Adjustments | (adjusted acquisition amounts as of) December 31, 2015 |
|---|---|---|---|
| Total consideration | $ 11,374 | $ | $ 11,374 |
| Accounts receivable | $ 10,662 | $ | $ 10,662 |
| | 2,102 | | 2,102 |

| | | | |
|---|---|---|---|
| Costs and estimated earnings in excess of billings on uncompleted contracts | | | |
| Other current assets | 59 | | 59 |
| Property and equipment | 1,778 | 253 | 2,031 |
| Intangible assets | | 2,068 | 2,068 |
| Accounts payable | (3,621 ) | | (3,621 ) |
| Billings in excess of costs and estimated earnings on uncompleted contracts | (1,490 ) | | (1,490 ) |
| Other current liabilities | (437 ) | | (437 ) |
| Net identifiable assets | 9,053 | 2,321 | 11,374 |
| Goodwill | $ 2,321 | $ (2,321 ) | $ |

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## 2. Acquisitions (continued)

The following table summarizes the estimated fair values of identifiable intangible assets (level 3 valuations) and the related weighted average amortization periods by type as of the respective acquisition dates for the 2015 acquisitions.

| (in thousands) | Estimated Fair Value at Acquisition Date | Weighted Average Amortization Period at Acquisition Date |
|---|---|---|
| | (in thousands) | (in years) |
| Customer relationships | $ 1,129 | 12.7 |
| Backlog | 244 | 1.0 |
| Trade names | 695 | 15.0 |
| Total intangible assets | $ 2,068 | |

### 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 expands the Company s T&D construction services, predominantly in the western United States. The preliminary acquisition date fair value of consideration transferred was $1.7 million, net of cash acquired, of which $0.5 million was preliminarily allocated to goodwill. The Company s process of valuing the acquired assets and liabilities is in its preliminary stages. Costs of approximately $0.2 million related to the acquisition were included in selling, general and administrative expenses in the consolidated statement of operations.

## 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, 2015 and 2014, the Company determined that the carrying value of cash and cash equivalents approximated fair value based on Level 1 inputs.

# 4. Accounts Receivable

Accounts receivable consisted of the following at December 31:

| (in thousands) | 2015 | 2014 |
|---|---|---|
| Contract receivables | $ 159,794 | $ 120,295 |
| Contract retainages | 27,474 | 38,379 |
| Other | 343 | 606 |
| | 187,611 | 159,280 |
| Less: Allowance for doubtful accounts | (376 ) | (1,179 ) |
| | $ 187,235 | $ 158,101 |

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# NOTES TO FINANCIAL STATEMENTS

## 4. Accounts Receivable (continued)

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

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Balance at beginning of period | $ 1,179 | $ 1,132 | $ 1,305 |
| Less: Reduction in (provision for) allowances | 528 | (96 ) | 159 |
| Less: Write offs, net of recoveries | 275 | 49 | 14 |
| Balance at end of period | $ 376 | $ 1,179 | $ 1,132 |

## 5. Contracts in Process

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

| (in thousands) | 2015 | 2014 |
|---|---|---|
| Costs and estimated earnings on uncompleted contracts | $ 2,153,085 | $ 1,746,507 |
| Less: Billings to date | 2,142,213 | 1,740,019 |
| | $ 10,872 | $ 6,488 |

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

| (in thousands) | 2015 | 2014 |
|---|---|---|
| Costs and estimated earnings in excess of billings on uncompleted contracts | $51,486 | $44,609 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | (40,614) | (38,121 ) |
| | $10,872 | $6,488 |

## 6. Property and Equipment

Property and equipment consisted of the following at December 31:

| (dollars in thousands) | Estimated Useful Life in Years | 2015 | 2014 |
|---|---|---|---|
| Land | | $ 5,782 | $ 4,813 |
| Buildings and improvements | 3 to 39 | 21,401 | 16,898 |
| Construction equipment | 3 to 12 | 308,628 | 269,121 |

| | | | |
|---|---|---|---|
| Office equipment | 3 to 10 | 6,442 | 5,778 |
| | | 342,253 | 296,610 |
| Less: Accumulated depreciation and amortization | | (181,575 ) | (147,956 ) |
| | | $ 160,678 | $ 148,654 |

Depreciation and amortization expense of property and equipment for the years ended December 31, 2015, 2014 and 2013 was $37.5 million, $33.1 million and $28.9 million, respectively.

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# NOTES TO FINANCIAL STATEMENTS

## 7. Goodwill and Intangible Assets

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

| (in thousands) | 2015 Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | 2014 Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|---|---|---|
| Goodwill | | | | | | |
| T&D | $40,567 | $ | $40,567 | $40,042 | $ | $40,042 |
| C&I | 6,557 | | 6,557 | 6,557 | | 6,557 |
| Total goodwill | 47,124 | | 47,124 | 46,599 | | 46,599 |
| Amortizable Intangible Assets | | | | | | |
| Backlog | 765 | 695 | 70 | 521 | 521 | |
| Customer relationships | 5,144 | 3,103 | 2,041 | 4,015 | 2,706 | 1,309 |
| Trade names | 695 | | 695 | | | |
| Indefinite-lived Intangible Assets | | | | | | |
| Trade names | 8,556 | | 8,556 | 8,556 | | 8,556 |
| Total Intangible assets | 15,160 | 3,798 | 11,362 | 13,092 | 3,227 | 9,865 |
| | $62,284 | $ 3,798 | $58,486 | $59,691 | $ 3,227 | $56,464 |

The increase in the gross carrying amount of goodwill and intangible assets as of December 31, 2015 compared to December 31, 2014 was due to the ESB and HCL acquisitions. Additional financial information related to the 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 1 year, 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 $0.6 million for the year ended December 31, 2015 and $0.3 million for the years ended December 31, 2014 and 2013. Intangible asset amortization expense for the years subsequent to December 31, 2015 is expected to be approximately $0.5 million in 2016, $0.4 million for the years 2017 and 2018 and $0.1 million for each of the years from 2019 to 2026.

## 8. Accrued Liabilities

Other current liabilities consisted of the following at December 31:

| (in thousands) | 2015 | 2014 |
|---|---|---|

| | | |
|---|---|---|
| Payroll and incentive compensation | $ 10,499 | $ 11,432 |
| Union dues and benefits | 8,182 | 6,721 |
| Profit sharing and thrift plan | 1,294 | 4,760 |
| Taxes, other than income taxes | 3,578 | 3,709 |
| Legal settlements | | 302 |
| Other | 5,303 | 4,816 |
| | $ 28,856 | $ 31,740 |

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## 9. Debt and Borrowing Arrangements

On December 21, 2011, the Company entered into a five-year syndicated credit agreement (the Credit Agreement ) with a facility of $175.0 million (the Facility ). The entire Facility is available for revolving loans and the issuance of letters of credit. The Company has an option to increase the commitments under the Facility or enter into incremental term loans, subject to certain conditions, by up to an additional $75.0 million upon receipt of additional commitments from new or existing lenders. Up to $25.0 million of the Facility is available for swingline loans.

Revolving loans under the Credit Agreement bear interest, at the Company s option, at either (1) the ABR, which is the greatest of the Prime Rate, the Federal Funds Effective Rate plus 0.50% or LIBOR plus 1.00%, plus in each case an applicable margin ranging from 0.00% to 1.00%; or (2) LIBOR plus an applicable margin ranging from 1.00% to 2.00%. The applicable margin is determined based on the Company s leverage ratio (the Leverage Ratio ), defined under the Credit Agreement as consolidated total indebtedness divided by consolidated EBITDA as defined by the Credit Agreement ( Consolidated EBITDA ). Letters of credit issued under the Facility are subject to a letter of credit fee of 1.00% to 2.00%, based on the Company s leverage ratio and a facing fee of 0.125%. Swingline loans bear interest at the ABR rate. The Company is currently required to pay a 0.2% commitment fee on the unused portion of the Facility.

Subject to certain exceptions, the Facility is secured by substantially all of the United States assets of the Company and its subsidiaries and by a pledge of all of the capital stock of the Company s subsidiaries. The Company s subsidiaries also guarantee the repayment of all amounts due under the Credit Agreement. The Credit Agreement provides for customary events of default. 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 Facility may be accelerated and may become or be declared immediately due and payable.

Under the Credit Agreement, the Company is subject to certain financial covenants and must maintain a maximum Leverage Ratio of 3.0 and a minimum interest coverage ratio of 3.0, ( Interest Coverage Ratio ), defined under the Credit Agreement as Consolidated EBITDA divided by interest expense. The Company was in compliance with the financial covenants at December 31, 2015, as well as in all previous quarters. The Credit Agreement also contains a number of covenants including limitations on asset sales, investments, indebtedness and liens.

The Company had no revolving loans outstanding as of December 31, 2015 and 2014. As of December 31, 2015 and 2014, the Company had approximately $19.3 million in irrevocable standby letters of credit outstanding at an interest rate of 1.125%. The Company had $155.7 million available for borrowing under the Facility as of December 31, 2015.

## 10. Income Taxes

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

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Federal | $ 45,456 | $ 57,950 | $ 54,872 |
| Foreign | (1,157 ) | | |
| | $ 44,299 | $ 57,950 | $ 54,872 |

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# NOTES TO FINANCIAL STATEMENTS

## 10. Income Taxes (continued)

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

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Current | | | |
| Federal | $ 12,433 | $ 14,720 | $ 16,812 |
| State | 3,006 | 3,031 | 2,920 |
| | 15,439 | 17,751 | 19,732 |
| Deferred | | | |
| Federal | 1,553 | 3,154 | 218 |
| Foreign | (272) | | |
| State | 277 | 501 | 163 |
| | 1,558 | 3,655 | 381 |
| Income tax expense | $ 16,997 | $ 21,406 | $ 20,113 |

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:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| U.S federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| State income taxes, net of U.S. federal income tax expense | 4.6 | 3.6 | 3.5 |
| Provision to return adjustments, net | 0.5 | 0.2 | (0.3) |
| Tax differential on foreign earnings | 0.3 | | |
| Domestic production/manufacturing deduction | (2.4) | (2.3) | (2.0) |
| Non-deductible meals and entertainment | 0.6 | 0.4 | 0.4 |
| Expiration of uncertain tax positions | (0.4) | | |
| Other, net | 0.2 | | 0.1 |
| Effective rate | 38.4 % | 36.9 % | 36.7 % |

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

| (in thousands) | 2015 | 2014 |
|---|---|---|
| Deferred income tax assets: | | |
| Self insurance reserves | $ 7,464 | $ 8,369 |
| Contract loss reserves | 240 | 72 |
| Stock-based awards | 3,986 | 4,420 |
| Bonus | 2,497 | 2,578 |
| Other | 960 | 886 |
| Total deferred income tax assets | 15,147 | 16,325 |

| | | |
|---|---|---|
| Deferred income tax liabilities: | | |
| Property and equipment tax over book depreciation | (25,859 ) | (25,350 ) |
| Intangible assets tax over book amortization | (3,670 ) | (3,799 ) |
| Total deferred income tax liabilities | (29,529 ) | (29,149 ) |
| Net deferred income taxes | $ (14,382 ) | $ (12,824 ) |

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

## 10. Income Taxes (continued)

As of December 31, 2015, the Company had no undistributed earnings of our Canadian subsidiary. 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 is currently under examination by U.S. federal authorities for the open tax years 2012 through 2014 and subject to examination by various state authorities for the years 2011 through 2014.

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 Company anticipates the total unrecognized tax benefits will be reduced within the next 12 months due to the lapses in the applicable statutes of limitations, as well as pending federal tax settlements for the three years under examination. The adjustment related to these items is estimated at approximately $0.3 million. 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) | 2015 | 2014 |
|---|---|---|
| Balance at beginning of period | $ 507 | $ 657 |
| Gross increases in current period tax positions | 62 | 93 |
| Gross increases in prior period tax positions | 19 | |
| Gross decreases in prior period tax positions | (163 ) | (243 ) |
| Balance at end of period | 425 | 507 |
| Accrued interest and penalties at end of period | 139 | 223 |
| Total liability for unrecognized tax benefits | $ 564 | $ 730 |

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, 2015, 2014 and 2013.

## 11. Commitments and Contingencies

### Letters of Credit

As of both December 31, 2015 and 2014, 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.

## Leases

The Company leases real estate, construction equipment and office equipment under operating leases with remaining lease terms ranging from one to less than six years. As of December 31, 2015, future minimum lease payments for these operating leases were as follows: $1.7 million for 2016, $1.1 million for 2017, $0.9 million for 2018, $0.7 million for 2019, $0.1 million for 2020 and $0.1 million for 2021. The Company had no leases in effect in 2015 or 2014 that included guaranteed residual values.

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, 2015, 2014 and 2013, was $57.2 million, $41.1 million and $51.2 million, respectively.

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

## 11. Commitments and Contingencies (continued)

### Purchase Commitments for Construction Equipment

As of December 31, 2015, the Company had approximately $2.2 million in outstanding purchase obligations for certain construction equipment, with most of the cash outlay scheduled to occur during the next three 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 for each line of coverage is up to $1.0 million, except for certain health benefit plans which are subject to a $0.1 million deductible 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 stop loss deductible is included in current assets in the consolidated balance sheets at December 31:

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Balance at beginning of period | $ 39,480 | $ 39,111 | $ 39,583 |
| Net increases in reserves | 15,686 | 16,220 | 16,861 |
| Net payments made | (18,199 ) | (15,851 ) | (17,333 ) |
| Balance at end of period | $ 36,967 | $ 39,480 | $ 39,111 |

Insurance expense, including premiums, for workers compensation, general liability, automobile liability, employee health benefits, and other coverages for the years ended December 31, 2015, 2014 and 2013 was $23.6 million, $21.0 million and $20.1 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 contractual commitments. The Company has indemnified its sureties for any expenses paid out under these bonds. As of December 31, 2015, an aggregate of approximately $912.0 million in original face amount of bonds issued by the surety were outstanding. Our estimated remaining cost to complete these bonded projects was approximately $87.0 million as of December 31, 2015.

## 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, 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 one or more multi-employer pension plans or if the plans were to otherwise become underfunded, the subsidiary could be assessed the funding status of liabilities for additional contributions related to the underfunding of these plans. Although we have been informed that several of the multi-employer pension plans to which our subsidiaries contribute have been classified as being in a critical status, we are not currently aware of any potential

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

## 11. Commitments and Contingencies (continued)

significant liabilities related to this issue. See Note 13 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.

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 coverage 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.

In January 2013, The L. E. Myers Co. ( L. E. Myers ) was joined as a defendant in *Northern States Power Company (Wisconsin) v. The City of Ashland, Wisconsin et al.,* filed in the U.S. District Court for the Western District of Wisconsin. Northern States Power Company alleged that named defendants, including L. E. Myers, contributed to contamination at the Ashland Lakefront Superfund Site in Ashland, Wisconsin. Specifically, the lawsuit alleged that L. E. Myers operated a manufactured gas plant at the site for 6 to 12 years of the plant s operation during the time frame from 1885 to 1947. In April 2015, L. E. Myers negotiated a settlement of this litigation with Northern States Power Company, funded largely by L. E. Myers insurance carriers, with L. E. Myers contribution being $230,000.

## 12. 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.

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

## 12. Stock-Based Compensation (continued)

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. The Company believes that it currently has adequate authorized unissued shares to meet any requirements to issue shares during 2016.

### Stock Options

The Company did not award any stock options in 2015 or 2014. Stock options granted prior to 2014 to employees or directors vest 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. The resulting compensation costs are amortized on a straight-line basis over the vesting period. The expected term of awards granted under the LTIP was determined using the simplified method as outlined in the applicable guidance because the Company did not have sufficient historical exercise data when the options were granted. The expected volatility was determined based on the historical volatility of the Company s stock. The risk-free interest rate was based on U.S. Treasury zero-coupon issues with a remaining term commensurate with the expected term of the award. The expected dividend yield was based on the Company s intent to not issue cash dividends.

The following summarizes the assumptions used in determining the fair value of stock options granted for fixed awards with graded vesting schedules during the year ended December 31, 2013:

| | 2013 |
|---|---|
| Risk-free interest rate | 1.0% |
| Expected dividend yield | 0.0% |
| Weighted average expected volatility | 50% |
| Expected term | 6.0 years |
| Weighted average grant-date fair value | $ 11.74 |

Following is a summary of stock option activity for the three-year period ending December 31, 2015:

| | Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Outstanding at January 1, 2013 | 1,432,228 | $ 10.34 | | |
| Granted | 111,147 | $ 24.68 | | |
| Exercised | (390,652 ) | $ 5.90 | | |

| | | | | |
|---|---|---|---|---|
| Forfeited | (4,003 ) | $ 20.28 | | |
| Expired | (1,400 ) | $ 15.96 | | |
| Outstanding at December 31, 2013 | 1,147,320 | $ 13.21 | 5.1 years | $ 13,623 |
| 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 |
| Exercisable at December 31, 2015 | 698,303 | $ 16.01 | 3.4 years | $ 3,722 |

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

## 12. Stock-Based Compensation (continued)

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

| (dollars in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Intrinsic value of options exercised | $ 5,857 | $ 2,383 | $ 6,878 |
| Fair value of options vested | 948 | 1,187 | 1,047 |

The following table summarizes information with respect to stock options outstanding and exercisable under the Company s plans at December 31, 2015:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Price | Number Of Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Number Of Options | Weighted-Average Exercise Price |
| $3.65 $9.00 | 42,923 | $ 3.90 | 0.6 years | 42,923 | $ 3.90 |
| $9.01 $18.00 | 497,116 | $ 14.62 | 3.2 years | 497,116 | $ 14.62 |
| $18.01 $24.68 | 190,566 | $ 23.85 | 5.1 years | 158,264 | $ 23.68 |
| | 730,605 | $ 16.40 | 3.6 years | 698,303 | $ 16.01 |

### Restricted Stock

Restricted stock awards granted to non-employee directors and eligible employees in 2015 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: however, starting with the 2014 grants, any dividends on restricted stock will be deferred and paid only when the stock vests. Restricted stock awards are also subject to certain claw-back provisions, as defined in the grant agreements.

Following is a summary of restricted stock activity for the three-year period ending December 31, 2015:

| | Shares | Per Share Weighted-Average Grant Date Fair Value |
|---|---|---|

| | | |
|---|---|---|
| Outstanding unvested at January 1, 2013 | 185,764 | $ 19.54 |
| Granted | 76,590 | $ 24.48 |
| Vested | (48,513 ) | $ 19.50 |
| Forfeited | (2,125 ) | $ 20.03 |
| Outstanding unvested at December 31, 2013 | 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 |

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# NOTES TO FINANCIAL STATEMENTS

## 12. Stock-Based Compensation (continued)

### Phantom Stock Units

Phantom stock unit awards granted to Canadian non-employee directors in 2015 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. 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. A total of 3,804 phantom stock units were issued during 2015, at a grant date fair value of $29.57, and are outstanding as of December 31, 2015.

### 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 performance compared to an internal measure, such as return on invested capital ( ROIC ) or return on equity ( ROE ), or the metric may be based on market performance, such as total shareholder return ( TSR ). The 2015 performance award grants were allocated evenly between two performance metrics; ROIC and relative TSR.

ROIC is defined by the Company as net income, less any dividends, divided by stockholders equity plus net debt (total debt less cash and marketable securities) at the beginning of the performance period. The ROIC-based target shares awarded in 2015 were valued at $30.16, which represented the closing price of the Company s stock on the date of grant and are measured over a three-year performance period ending December 31, 2017.

TSR is defined by the Company as the change in the fair market value, adjusted for dividends, of a company s stock. The TSR of the Company s stock will be compared to the TSR of a peer group of companies defined at the time of the grant. For the 2015 grant of TSR-based performance awards, TSR will be calculated using the average stock price of the 20 trading days prior to January 1, 2015 and compared to the average stock price of the 20 trading days prior to December 31, 2017. Because TSR is a market-based performance metric, the Company used a Monte Carlo simulation model to calculate the fair value of the grant made in 2015, which resulted in a fair value of $47.24 per share.

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# NOTES TO FINANCIAL STATEMENTS

## 12. Stock-Based Compensation (continued)

Following is a summary of performance share award activity for the three-year period ending December 31, 2015:

| | Shares | Per Share Weighted-Average Grant Date Fair Value |
|---|---|---|
| Outstanding at January 1, 2013 | 74,923 | $ 20.51 |
| Granted at target | 46,106 | $ 24.68 |
| Earned for performance above target | 11,281 | $ 24.18 |
| Vested | (45,116 ) | $ 24.18 |
| Outstanding at December 31, 2013 | 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 |

A total of 40,474 shares, or 91.4% of the target number of shares, were earned by the participants for the performance period ending December 31, 2015. A total of 65,237 shares, or 163.3% of the target number of shares, were earned by the participants for the performance period ending December 31, 2014. A total of 45,116 shares, or 133.3% of the target number of shares, were earned by the participants for the performance period ending December 31, 2013. The 143,608 performance awards outstanding as of December 31, 2015 are split evenly between ROIC performance shares and TSR performance shares.

### Stock-based Compensation Expense

The Company recognized stock-based compensation expense of approximately $4.8 million, $4.7 million and $3.5 million for the years ended December 31, 2015, 2014 and 2013, respectively, in selling, general and administrative expenses. As of December 31, 2015, there was approximately $5.7 million of total unrecognized stock-based compensation expense related to awards granted under the LTIP, net of estimated forfeitures. This included $0.1 million of unrecognized compensation cost related to unvested stock options to be recognized over a remaining weighted average vesting period of approximately 0.2 years, $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 1.6 years and $2.7 million of unrecognized compensation cost related to unvested performance awards, expected to be recognized over a remaining weighted average vesting period of approximately 1.5 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 stock granted to the non-employee directors after 2013 was expensed on the date of the grant.

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# NOTES TO FINANCIAL STATEMENTS

## 13. 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, 2015, 2014 and 2013 amounted to $3.4 million, $6.9 million, and $4.9 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, 2015, 2014 and 2013 amounted to $0.7 million, $0.6 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 2016 and 2018.

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.

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# NOTES TO FINANCIAL STATEMENTS

## 13. 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 plan years ending on December 31, 2015 has not been listed because Forms 5500 were not yet available. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 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.

The data presented in the table above represents data available to us for the two most recent plan years. 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.

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 ending March 31, 2015, 2014 and 2013 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 ending June 30, 2014 and 2013. 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 ending December 31, 2014 and 2013.

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

## 14. Segment Information

MYR Group is a specialty contractor serving the U.S. electrical infrastructure market. It also has operations in parts of Canada. 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, 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.

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) | 2015 | 2014 | 2013 |
| Contract revenues: | | | |
| T&D | $ 794,898 | $ 699,595 | $ 722,387 |
| C&I | 266,783 | 244,372 | 180,342 |
| | $ 1,061,681 | $ 943,967 | $ 902,729 |
| Income from operations: | | | |
| T&D | $ 63,155 | $ 75,439 | $ 81,413 |
| C&I | 13,592 | 16,542 | 10,423 |
| General Corporate | (31,906 ) | (33,577 ) | (36,219 ) |
| | $ 44,841 | $ 58,404 | $ 55,617 |

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# NOTES TO FINANCIAL STATEMENTS

## 14. 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) | 2015 | 2014 |
|---|---|---|
| T&D | $ 204,309 | $ 190,105 |
| C&I | 92,939 | 69,640 |
| Other | 227,677 | 260,341 |
| | $ 524,925 | $ 520,086 |

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) | 2015 | 2014 | 2013 |
| Depreciation and amortization | | | |
| T&D | $ 35,456 | $ 30,957 | $ 27,545 |
| C&I | 2,573 | 2,466 | 1,650 |
| | $ 38,029 | $ 33,423 | $ 29,195 |

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 years ended December 31, 2014 and 2013. As of December 31, 2015, $1.9 million of identifiable assets were attributable to Canadian operations.

## 15. 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 year ended December 31, 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 years ended December 31, 2014 and 2013, 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.

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

## 15. 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) | 2015 | 2014 | 2013 |
| Numerator: | | | |
| Net income | $ 27,302 | $ 36,544 | $ 34,759 |
| Less: Net income allocated to participating securities | | (277 ) | (336 ) |
| Net income available to common shareholders | $ 27,302 | $ 36,267 | $ 34,423 |
| Denominator: | | | |
| Weighted average common shares outstanding | 20,577 | 20,922 | 20,821 |
| Weighted average dilutive securities | 461 | 544 | 610 |
| Weighted average common shares outstanding, diluted | 21,038 | 21,466 | 21,431 |
| Income per common share, basic | $ 1.33 | $ 1.73 | $ 1.65 |
| Income per common share, diluted | $ 1.30 | $ 1.69 | $ 1.61 |

For the years ended December 31, 2015, 2014 and 2013, 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) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Stock options | 3 | 100 | 220 |
| Performance awards | 34 | | |

### Share Repurchase Program

On July 30, 2015, the Company increased its stock repurchase program (the Repurchase Program ) from $25.0 million to $42.5 million, and extended the term of the program through August 31, 2016. On December 10, 2015 the Company increased the Repurchase Program by $25.0 million to $67.5 million

During 2015 the Company repurchased 1,183,862 shares of common stock (at a weighted-average price of $22.84 per share) under the Repurchase Program. The total cost of $27.0 million, $26.1 million of which had settled as of December 31, 2015, was recorded as a reduction of common stock, additional paid-in capital and retained earnings in 2015. Under the Repurchase Program, all shares repurchased are retired and returned to authorized but unissued stock.

The remaining availability to purchase shares under the Repurchase Program was $24.8 million as of December 31, 2015.

On February 10, 2016 the Company increased the Repurchase Program by $75.0 million to $142.5 million, amended the provisions of the plan to accelerate the pace of repurchases, and extended the program through April 30, 2017.

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# MYR GROUP INC.

# NOTES TO FINANCIAL STATEMENTS

## 16. Quarterly Financial Data (Unaudited)

The following table presents the unaudited consolidated operating results by quarter for the years ended December 31, 2015 and 2014:

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| (in thousands, except per share data) | March 31, | June 30, | September 30, | December 31, |
| 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 |
| 2014: | | | | |
| Revenues | $ 215,638 | $ 228,877 | $ 248,473 | $ 250,979 |
| Gross profit | 27,080 | 30,528 | 32,724 | 42,082 |
| Net income | 6,272 | 7,741 | 8,404 | 14,127 |
| Basic earnings per share | $ 0.30 | $ 0.36 | $ 0.40 | $ 0.68 |
| Diluted earnings per share | $ 0.29 | $ 0.36 | $ 0.39 | $ 0.66 |

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.

Gross profit in the fourth quarter of 2014 benefited from higher levels of claim settlements and change orders.

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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 our 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 to provide reasonable assurance related to the matters stated in the above paragraph as of December 31, 2015.

## 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 Form 10-K/A.

This annual report on Form 10-K/A 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, 2015, management s assessment of our internal control over financial reporting excluded the internal control over financial reporting of E.S. Boulos Company and High Country Line Construction, Inc., which were acquired on April 13, 2015 and November 24, 2015, respectively. We are permitted to exclude subsidiaries that we acquired during 2015 from management s 2015 internal control assessment. E.S. Boulos Company and High Country Line Construction, Inc., combined, represented a total of approximately 5.7% and 5.3% of total assets and net assets, respectively, as of December 31, 2015, and 4.9% and 8.4% 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, 2015 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 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

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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.

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# 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.

iii) Exhibit List

| Number | Description |
|---|---|
| 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) |
| 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 |

Filed herewith.

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# 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

February 16, 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 |
|---|---|---|
| /s/ RICHARD S. SWARTZ, JR.<br>Richard S. Swartz, Jr. | President and Chief Executive Officer (Principal Executive Officer) | February 16, 2017 |
| /s/ BETTY R. JOHNSON<br>Betty R. Johnson | Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer) | February 16, 2017 |
| *<br>William A. Koertner | Executive Chairman of the Board of Directors | February 16, 2017 |
| *<br>Jack L. Alexander | Director | February 16, 2017 |
| *<br>Larry F. Altenbaumer | Director | February 16, 2017 |
| *<br>Henry W. Fayne | Director | February 16, 2017 |
| *<br>Kenneth M. Hartwick | Director | February 16, 2017 |
| *<br>Gary R. Johnson | Director | February 16, 2017 |
| *<br>Donald C.I. Lucky | Director | February 16, 2017 |
| | Director | |

| | | |
|---|---|---|
| *<br>Maurice E. Moore | | February 16, 2017 |
| *<br>William D. Patterson | Director | February 16, 2017 |
| *By:<br>/s/ BETTY R. JOHNSON<br>(Betty R. Johnson)<br>*(Attorney-in-fact)* | | February 16, 2017 |

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# SIGNATURE

Pursuant to the requirements 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

February 16, 2017

*Senior Vice President, Chief Financial Officer and Treasurer*