

Orion Marine Group Inc
Form 10-K
March 27, 2014
Table of Contents

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from _____ to _____

Commission file number: 1-33891

ORION MARINE GROUP, INC.

Delaware

26-0097459

State of Incorporation

IRS Employer Identification Number

12000 Aerospace Suite 300

Houston, Texas 77034

(713) 852-6500

Address of Principal Executive Office

Telephone number (including area code)

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

Title of Each Class

Name of Each Exchange on Which Registered

Common stock, \$0.01 par value per share

The New York Stock Exchange

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 No

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

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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 Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check One):

Large Accelerated Filer

Accelerated Filer

Non-accelerated filer

Smaller reporting company

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes No
There were 27,414,059 shares of common stock outstanding as of March 25, 2014. The aggregate market value of the Registrant's common equity held by non-affiliates was approximately \$322.5 million as of June 28, 2013, the last business day of the Registrant's most recently completed second quarter, based upon the last reported sales price on the New York Stock Exchange on that date.

DOCUMENTS INCORPORATED BY REFERENCE

Part III – Portions of the Registrant's definitive Proxy Statement to be issued on connection with the 2013 Annual Meeting of Stockholders to be filed on or about April 7, 2014.

Table of Contents

ORION MARINE GROUP, INC.

2013 Annual Report on Form 10-K

Table of Contents

<u>PART I</u>		<u>3</u>
Item 1.	<u>Business</u>	<u>3</u>
Item 1A.	<u>Risk Factors</u>	<u>11</u>
Item 1B.	<u>Unresolved Staff Comments</u>	<u>21</u>
Item 2.	<u>Properties</u>	<u>21</u>
Item 3.	<u>Legal Proceedings</u>	<u>22</u>
Item 4.	<u>Mine Safety Disclosure (not applicable)</u>	<u>22</u>
<u>PART II</u>		<u>23</u>
Item 5.	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>23</u>
Item 6.	<u>Selected Financial Data</u>	<u>24</u>
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
Item 7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>35</u>
Item 8.	<u>Financial Statements and Supplementary Data</u>	<u>35</u>
Item 9.	<u>Changes In and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>35</u>
Item 9A.	<u>Controls and Procedures</u>	<u>35</u>
Item 9B.	<u>Other Information</u>	<u>36</u>
<u>PART III</u>		<u>36</u>
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	<u>36</u>
Item 11.	<u>Executive Compensation</u>	<u>37</u>
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>37</u>
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>38</u>
Item 14.	<u>Principal Accounting Fees and Services</u>	<u>38</u>
<u>PART IV</u>		<u>38</u>
Item 15.	<u>Exhibits and Financial Statement Schedules</u>	<u>38</u>
<u>SIGNATURES</u>		<u>41</u>

Table of Contents

PART I

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K and the documents incorporated by reference herein may contain forward-looking statements that are not based on historical fact. When used in this report, words such as “expects”, “anticipates”, “believes”, “seeks”, “estimates”, “plans”, “intends” and similar words identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although such statements are based on management’s current estimates and expectations and currently available competitive, financial and economic data, forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause our actual results to differ materially from what may be inferred from the forward-looking statements. Some of the factors that could cause or contribute to such differences are listed and discussed in Item 1A “Risk Factors”, below and elsewhere in this Annual Report on Form 10-K. We undertake no obligation to release publicly any revisions or updates to any forward-looking statements that are contained in this document. We encourage you to read carefully the risk factors described in other documents we file from time to time with the Securities and Exchange Commission (the “SEC”).

Item 1. BUSINESS

General background

We are a leading heavy civil contractor specializing in marine construction. We provide a broad range of heavy civil marine construction services to Federal agencies, state and municipal governments, and private commercial and industrial customers.

We are headquartered in Houston, Texas, and provide our heavy civil marine construction services on, over and under the water along the Gulf Coast, the Atlantic Seaboard, the West Coast, Alaska, Canada, as well as in the Caribbean Basin. In addition, we have marketing presence, but no operations, in Australia.

We are a Delaware corporation. The common stock of Orion Marine Group, Inc. is listed on the New York Stock Exchange under the symbol ORN. Unless the context otherwise requires, all references herein to “Orion”, the “Company”, the “Registrant”, “we”, “us” or “our” refer to Orion Marine Group, Inc. and its consolidated subsidiaries and affiliates.

History and growth

We were founded in 1994 as a marine construction project management business. Since then, we have expanded our reach both through organic growth and acquisitions. We have successfully acquired and fully integrated several companies into our operations. These strategic acquisitions have enhanced our capabilities, provided us with a larger geographic base, and added to our equipment fleet. Most recently, in 2012, we acquired substantially all of the assets of West Construction, Inc., which expanded our presence in Alaska and the West Coast, and included a business development capability in Australia.

Our Business Strategy

We employ the following key business strategies:

• Expand into new markets and selectively pursue strategic acquisitions -- We seek to identify attractive new markets and strategic opportunities through selective acquisitions, greenfield expansions or diversification.

• Continue to Capitalize on Favorable Long-Term Industry Trends - We seek to capitalize on infrastructure spending across the markets we serve including port and marine infrastructure, government funded projects, transportation, oil

and gas, cruise industry infrastructure expansion and environmental restoration markets.

Continue to Reinvest in our Core Business --We continue to pursue technically complex projects where our people, specialized services and equipment differentiate us from our competitors. We intend to continue to enhance the types, numbers or capabilities of the vessels comprising our fleet when the appropriate circumstances arise.

Continue to attract, retain and develop our employees - We believe our employees are integral to the success of our project execution, and we will continue to allot resources to attract and retain talented managers, supervisors and field personnel.

Financial Information About Segments

Although we describe our business in this report in terms of the services we provide, our base of customers and the geographic areas in which we operate, we have concluded that our operations represent a single reportable segment pursuant to accounting principles generally accepted in the United States ("U.S. GAAP"). In making this determination, we considered the similar economic characteristics of our operations, including the nature of the services we provide; the nature of our internal processes for the

Table of Contents

production of our services; the methods used to provide our services to our customers; the types of customers we have; the nature of the regulatory environment in which we operate; and our assessment of our future prospects.

We provide heavy civil marine construction services through projects that are obtained primarily by a competitive bid or negotiated contract process. Our projects have similar cost structures, including labor, equipment, materials and subcontractors. Our workforce is standard across our business and includes pile drivers, equipment operators, carpenters, welders, barge crews, dredge crews, supervisors and project managers. This allows our core resources of assets and individuals to be deployed interchangeably to our projects. For example, crews and equipment deployed to a dock construction project may be redeployed to a bridge construction project and to a marsh creation project after that. This allows us to use our resources based on availability across our business. Similarly, basic materials such as concrete and steel are used in our projects, which provides us with similar costs across our business, especially through the use of national accounts with vendors. Additionally, we self-perform most of our projects internally, which limits our use of subcontractors to those providing similar services with similar cost structures.

We execute our projects in a similar fashion with a centralized estimating, project controls and management group, and the risks and rewards of project performance are not affected by the location of the specific project, but on our ability to compete on pricing and execute within our estimated costs. Because our core resources may be deployed to various types of marine construction projects, we have developed a centralized philosophy for operating our business. We utilize the same technology across our business, including estimating and cost control applications.

Our methods used to provide our services is similar. Our assets and labor force are often interchangeable within the various types of marine construction projects. This provides us with the flexibility to manage our business as one operating unit deploying resources based on availability across our business.

We have the same customers with similar funding drivers and market demands across our entire business. Our business wide customers include the US Army Corps of Engineers, US Navy, US Coast Guard, state transportation departments, local port authorities and private customers such as petrochemical terminal operators, private terminal operators and cruise line facilities. We consider funding availability to be similar across our business, particularly in the form of governmental budgeting (federal, state and local) and capital expenditure and maintenance and repair spending by private customers.

Across our business, we comply with macro environmental regulatory environments driven through Federal agencies such as the US Army Corps of Engineers, US Fish and Wildlife Service, US Environmental Protection Agency and the US Occupational Safety and Health Administration, as well as others.

Our business is primarily driven by macro-economic considerations including increases in import/export seaborne transportation, development of energy related infrastructure, cruise line expansion and operations, marine bridge infrastructure development, waterway pipeline crossings and the maintenance of our nation's waterways. These macro drivers are key catalysts for future prospects for work and are similar across our entire business.

We believe that our business is driven by similar economic characteristics across our operating environment, including gross margins and other metrics. In addition, the types of information and internal reports used by our chief operating decision maker (the "CODM") is identical across our business.

The economic similarities discussed above, as well as the tools used by the CODM to monitor performance, evaluate results of operations, allocate resources, and manage the business support a single reportable segment. Accordingly, based on these similarities, we have concluded that our operations represent one reportable segment for purposes of the disclosures included in this Annual Report on Form 10-K.

Services Provided

We provide a broad range of heavy civil marine construction services, including new construction, dredging, repair and maintenance, and other specialty services. Therefore, we have the ability to provide our customers a single-source, turnkey solution to service comprehensive marine construction needs.

Marine Construction Services

Marine construction services include construction, restoration, maintenance and repair of marine transportation facilities, marine pipelines, bridges and causeways, and marine environmental structures. We have the capability of providing design-build services and may serve as the prime contractor for these types of projects.

Marine transportation facility projects include public port facilities for container ship loading and unloading; cruise ship port facilities; private terminals; special-use Navy terminals, recreational use marinas and docks, and other marine-based

Table of Contents

facilities. These projects typically consist of steel or concrete fabrication dock or mooring structures designed for durability and longevity, and involve driving piles of concrete, pipe or sheet pile to provide a foundation for the port facility structure that we subsequently construct on the piles. We also provide on-going maintenance and repair, inspection services, emergency repair, and demolition and salvage to such facilities.

Our marine pipeline service projects generally include the installation and removal of underwater buried pipeline transmission lines; installation of pipeline intakes and outfalls for industrial facilities; construction of pipeline outfalls for wastewater and industrial discharges; river crossing and directional drilling; creation of hot taps and tie-ins; and inspection, maintenance and repair services.

Our bridge and causeway projects include the construction, repair and maintenance of all types of overwater bridges and causeways, as well as the development of fendering systems in marine environments. We serve as the prime contractor for many of these projects, and some of these are design-build contracts. These projects involve fabricating steel or concrete structures designed for durability and longevity, and involve driving concrete, pipe or sheet pile to create support for the concrete deck roadways that we subsequently construct on the piles. These piles can exceed 50 inches in diameter, can range up to 170 feet in overall length, and are often driven 90 feet into the sea floor.

Marine environmental structure projects may include the installation of concrete mattresses to promote erosion protection; construction of levees to contain environmental mitigation projects, and the installation of geotubes for wetlands and island creation. Such structures are used for erosion control, wetlands creation and environmental remediation.

Dredging services

Dredging generally enhances or preserves the navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Dredging involves the removal of mud and silt from the channel floor by means of a mechanical backhoe, crane and bucket or cutter suction dredge and pipeline systems. Dredging is integral to marine capital and maintenance projects, including: maintenance for previously deepened waterways and harbors to remove silt, sand and other accumulated sediments; construction of breakwaters, jetties, canals and other marine structures; deepening ship channels and wharves to accommodate larger and deeper draft ships; containing erosion of wetlands and coastal marshes; land reclamation; and beach nourishment and creation of wildlife refuges. Maintenance dredging projects provide a source of recurring revenue as active channels typically require dredging every one to three years due to natural sedimentation. The frequency of maintenance dredging may be accelerated by heavy rainfall or major weather events such as hurricanes. Areas where no natural deep water ports exist, such as the Texas Gulf Coast, require substantial maintenance dredging. We maintain multiple specialty dredges of various sizes and specifications to meet customer needs. In 2012, we expanded the reach of a dredge ladder to enable us to dig deeper and participate further in specialty dredging needs of the oil and gas industry. Our dredging services are typically intertwined with our marine construction services to provide a turn-key solution for our customers.

Specialty Services

Our specialty services include salvage, demolition, surveying, towing, diving and underwater inspection, excavation and repair. Our diving services are largely performed in shallow water and include inspections, salvage and pile restoration and encapsulation. Our survey services include surveying pipelines and performing hydrographic surveys which determine the configuration of the floors of bodies of water and detect and identify wrecks and other obstructions. Most of these specialty services support our other services and provide an incremental touch-point with our customers.

Industry and Market Overview

We provide our services to similar customers, or in some cases, the same customers, across our business. These customers may be in diverse end markets, including port expansion and maintenance, bridges, causeways and other marine infrastructure, the cruise industry, the Department of Defense, the oil and gas industry, coastal protection and reclamation, along with hurricane restoration and repair and environmental remediation. We believe that this diversity in our customer base enables us to lessen the negative effects during a downturn in a specific end market and respond quickly to the needs of expanding end markets.

Port Expansion and Maintenance

Expected increases in cargo volume and future demands from larger ships transiting the expanded Panama Canal will require ports, especially along the Gulf Coast and Atlantic Seaboard, to expand their dock capacity and port infrastructure to accommodate larger container ships as well as perform additional dredging services to deepen their channels. We provide customers in this sector turnkey services to meet all their port expansion and maintenance work.

Table of Contents

Bridges and Causeways

According to the American Society of Civil Engineers, as of their most recent report for 2013, 1 in 9 of the nation's bridges are structurally deficient, and the average age of the nation's bridges is 42 years old. We are able to construct or restore overwater bridges, and design, repair, or replace, fendering systems for customers in this sector.

Marine Infrastructure

The U.S. Marine Transportation System ("MTS") consists of waterways, ports and their intermodal connections, vessels, vehicles, and system users, as well as shipyards and repair facilities crucial to maritime activity. The MTS is primarily an aggregation of federal, state, local and privately owned facilities and private companies. U.S. inland and intracoastal waterways require substantial maintenance and improvement. While waterway usage is increasing, the facilities and supporting systems are aging. In addition, channels and waterways must maintain certain depths to accommodate ship and barge traffic. Natural sedimentation in these channels and waterways require maintenance dredging to maintain navigability. We provide turnkey services to customers in this sector to meet all marine infrastructure project needs.

Our full business complement, including dredging, marine construction, and specialty services, such as diving, survey and inspections are fully utilized by our customers in this area.

Cruise Industry

An expected increase in cruise ships and cruise ship size has generated a need for substantial port infrastructure development, including planning and construction of new terminals and facilities, as well as on-going maintenance and repair services. These larger vessels require development of new piers and additional dredging services to accommodate deeper drafts. Our service area includes, among others, the ports of Miami, Galveston, Tampa, New Orleans, Canaveral, Juneau, Seattle and the Caribbean Basin, which includes numerous cruise facilities and is the most popular cruise destination in the North American market.

The Department of Defense and Homeland Security

The US Navy has the responsibility for the maintenance of 39 facilities in the United States, which includes a significant amount of marine infrastructure. We believe the US Navy will continue to maintain strategic facilities, including maintenance and upgrades to its marine facility infrastructure.

The US Coast Guard maintains more than 50,000 federal aids to navigation, which include buoys, lighthouses, day beacons and radio-navigation signals, and additionally has oversight responsibility for over 18,000 highway and railroad bridges that span navigable waterways throughout the country. As part of the Department of Homeland Security, we anticipate that US Coast Guard needs for varied marine construction services, including those listed above, will provide opportunities for us in the future.

Oil and Gas Industry

We construct, repair and remove underwater pipelines, and provide marine construction and on-going maintenance services for private refineries, terminal facilities and docks, and other critical near shore oil and gas infrastructure. Increased levels of capital expenditures by midstream and downstream oil and gas companies in response to higher energy demand should increase demand for our services.

U.S. Coastal and Wetland Restoration and Reclamation

We believe that increases in coastal population density and demographic trends will lead to an increase in the number of coastal restoration and reclamation projects, and, as the value of waterside assets rises from a residential and recreational standpoint, the private sector, government agencies and municipalities will increase spending on restoration and reclamation projects.

Hurricane Restoration and Repair

Hurricanes are often very destructive to the existing marine infrastructure and natural protection barriers of the prime storm areas of the Gulf Coast, the Atlantic Seaboard and the Caribbean Basin, including bridges, ports, underwater channels and sensitive coastal areas. Typically, restoration and repair opportunities continue for several years after a major hurricane event. These events provide incremental projects to our industry that contribute to a favorable bidding environment and high capacity utilization in our markets.

Environmental Remediation

We believe there will be additional funding for the protection of natural habitats, environmental preservation, wetlands creation and remediation for high priority projects in Louisiana and other areas in the markets we serve that will protect and restore sensitive marine and coastal areas, advance ocean science and research, and ensure sustainable use of ocean resources.

Table of Contents

Customers

Our customers include federal, state and local governmental agencies in the United States, as well as private commercial and industrial enterprises in the US and the Caribbean Basin. Most projects are competitively bid, with the award typically going to the lowest qualified bidder. In 2013, the US Army Corps of Engineers accounted for approximately 12% of our total revenue. Our customer base shifts from time to time depending on the mix of contracts in progress.

The following table represents concentrations of revenue by type of customer for the years ended December 31, 2013, 2012, and 2011.

	2013	%	2012	%	2011	%	
Federal	\$65,926	19	% \$64,049	22	% \$108,123	42	%
State	30,451	9	% 35,799	12	% 48,604	19	%
Local	54,702	15	% 44,626	15	% 40,647	15	%
Private	203,465	57	% 147,568	51	% 62,478	24	%
	\$354,544	100	% \$292,042	100	% \$259,852	100	%

We do not believe that the loss of any single customer, other than the US Army Corps of Engineers, would have a material adverse effect on our operations.

Backlog

Our contract backlog represents our estimate of the revenues we expect to realize under the portion of the contracts remaining to be performed. Given the typical duration of our contracts, which generally is less than one year, our backlog at any point in time usually represents only a portion of the revenue that we expect to realize during a twelve month period. We include projects in our backlog only when the customer has provided an executed contract, purchase order or change order. Our backlog under contract as of December 31, 2013, was approximately \$247.3 million and at December 31, 2012 was approximately \$184.1 million. These estimates are subject to fluctuations based upon the scope of services to be provided, as well as factors affecting the time required to complete the project. In addition, many projects that make up our backlog may be canceled at any time without penalty; however, we can generally recover actual committed costs and profit on work performed up to the date of cancellation. Although we have not been materially adversely affected by contract cancellations or modifications in the past, we may be so affected in the future, especially during economically uncertain periods. Consequently, backlog is not necessarily indicative of future results. In addition to our backlog under contract, we also have a substantial number of projects in negotiation or pending award at any given time.

Seasonality and Quarterly Results

Our quarterly revenues and results of operations may fluctuate significantly depending upon the mix, size, scope, and progress schedules of our projects under contract, the productivity of our labor force and the utilization of our equipment. These factors, as well as others affect the rate at which revenue is recognized as projects are completed.

Competition

We compete with several regional marine construction services companies and a few national marine construction services companies. From time to time, we compete with certain national land-based heavy civil contractors. Our industry is highly fragmented with competitors generally varying within the markets we serve and with few competitors competing in all of the markets we serve or for all of the services that we provide. We believe that our turnkey capability, expertise, experience and reputation for providing safe and timely quality services, safety record and programs, equipment fleet, financial strength, surety bonding capacity, knowledge of local markets and conditions, and project management and estimating abilities allow us to compete effectively. We believe significant barriers to entry exist in the markets in which we operate, including the ability to bond large projects, maritime law

constraints, specialized marine equipment and technical experience; however, a U.S. company that has adequate financial resources, access to technical expertise and specialized equipment may become a competitor.

Bonding

In connection with our business, we generally are required to provide various types of surety bonds that provide an additional measure of security for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends upon our capitalization, adequate working capital, past performance, management expertise, and external factors, including the capacity of the overall surety market. Surety companies consider such factors in light of the amount of our backlog that we have currently bonded and their own current underwriting standards, which may change from time to time. The capacity of the surety market is subject to market-driven fluctuations driven primarily by the level of surety industry losses and the degree of surety market consolidation. The bonds we provide typically are for the contract amount of the project and have face amounts ranging from approximately \$1 million to approximately \$50 million. As of December 31, 2013, we had approximately \$110

Table of Contents

million in surety bonds outstanding. On December 31, 2013, we believe our capacity under our current bonding arrangement, including bonds outstanding, was in excess of \$400 million in aggregate surety bonds.

Trade Names

We operate under a number of trade names. We consolidate our operations under the brand name "Orion Marine Group, Inc.". We may be known as Orion Marine Group, Orion Marine Construction, Orion Marine Contractors, Orion Diving & Salvage, and Orion Australia, as well as our former names of King Fisher Marine Service, Orion Construction, Misener Marine Construction, Misener Diving & Salvage, F. Miller Construction, Orion Dredging Services, T.W. LaQuay Dredging, Northwest Marine Construction and West Construction. We do not generally register our trademarks with the U.S. Patent & Trademark Office, but instead rely on state and common law protections. While we consider our trade names to be valuable assets, we do not consider any single trademark or trade name to be of such material importance that its absence would cause a material disruption of our business.

Equipment

We operate and maintain a large and diverse equipment fleet, substantially all of which we own, that includes the following:

Barges - Spud barges, material barges, deck barges, anchor barges and fuel barges are used to provide work platforms for cranes and other equipment, to transport materials to the project site and to provide support for the project at the project site.

Dayboats - Small pushboats, dredge tenders and skiffs are used to shift barges at the project site, to move personnel and to provide general support to the project site.

Tugs - Larger pushboats and tug boats are used to transport barges and other support equipment to and from project site.

Dredges - 24" cutter head suction dredges (diesel), 20" cutter head suction dredge (diesel/electric), 20" cutter head suction dredges (diesel), 16" cutter head suction dredges, and 12" portable cutter head suction dredges are used to provide dredging services at project sites

Cranes - Crawler lattice boom cranes with lift capability from 50 tons to 400 tons and hydraulic rough terrain cranes with lift capability from 15 tons to 60 tons are used to provide lifting and pile driving capabilities on project sites, and to provide bucket work, including mechanical dredging and dragline work, to project sites.

We believe that our equipment generally is well maintained and suitable for our current operations. We have the ability to extend the useful life of our equipment through capital refurbishment at periodic intervals. Most of our fleet is serviced by our own mechanics who work at various maintenance sites and facilities. We are also capable of building, and have built, much of our highly specialized equipment. Our strategy is to move our fleet from project to project as required. We have pledged our owned equipment as collateral under our credit facility.

Equipment Certification

Some of our equipment requires certification by the U.S. Coast Guard and all that do require certification have been so certified. In addition, where required, our vessels' permissible loading capacities require certification by the American Bureau of Shipping ("ABS"). ABS is an independent classification society which certifies that certain of our larger, seagoing vessels are "in-class," signifying that the vessels have been built and maintained in accordance with ABS standards and applicable U.S. Coast Guard rules and regulations. All of our vessels that are required to be certified by ABS have been certified as "in-class." These certifications indicate that the vessels are structurally capable of operating in open waters, which enhances the mobility of our fleet.

Government Regulations

We are required to comply with the macro regulatory requirements of federal, state and local governmental agencies and authorities including the following:

- regulations concerning workplace safety, labor relations and disadvantaged businesses;
- licensing requirements applicable to shipping and dredging; and
- permitting and inspection requirements applicable to marine construction projects.

We are also subject to government regulations pursuant to the Dredging Act, the Merchant Marine Act of 1920, commonly referred to as the "Jones Act", the Shipping Act and the Vessel Documentation Act. These statutes require vessels engaged in the transport of merchandise or passengers between two points in the U.S. or dredging in the navigable waters of the U.S. to be documented with a coastwise endorsement, to be owned and controlled by U.S. citizens, to be manned by U.S. crews, and to be built in the

Table of Contents

U.S. The U.S. citizenship ownership and control standards require the vessel-owning entity to be at least 75% U.S.-citizen owned, and prohibit the demise or bareboat chartering of the vessel to any entity that does not meet the 75% U.S. citizen ownership test. These statutes, together with similar requirements for other sectors of the maritime industry, are collectively referred to as “cabotage” laws.

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

Environmental Matters

General

Our marine infrastructure construction, salvage, demolition, dredging and dredge material disposal activities are subject to stringent and complex federal, state, and local laws and regulations governing environmental protection, including air emissions, water quality, solid waste management, marine and bird species and their habitats, and wetlands. Such laws and regulations may require that we or our customers obtain, and that we comply with, various environmental permits, registrations, licenses and other approvals. These laws and regulations also can restrict or impact our business activities in many ways, such as delaying the appropriation and performance of particular projects; restricting the way we handle or dispose of wastes; requiring remedial action to mitigate pollution conditions that may be caused by our operations or that are attributable to others; and enjoining some or all of our operations deemed in non-compliance with environmental laws and regulations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and/or criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining future operations.

We believe that compliance with existing federal, state and local environmental laws and regulations will not have a material adverse effect on our business, results of operations, or financial condition. Nevertheless, the trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. In addition, we could be affected by future laws or regulations, including those imposed in response to climate change concerns. As a result, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. The following is a discussion of the environmental laws and regulations that could have a material effect on our marine construction and other activities.

Waste Management

Our operations could be subject to the federal Resource Conservation and Recovery Act (“RCRA”) and comparable state laws, which impose detailed requirements for the handling, storage, treatment and disposal of hazardous and non-hazardous solid wastes. Under the auspices of the U.S. Environmental Protection Agency (“EPA”), the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own more stringent requirements. Generators of hazardous wastes must comply with certain standards for the accumulation and storage of hazardous wastes, as well as recordkeeping and reporting requirements applicable to hazardous waste storage and disposal activities.

Site Remediation

The Comprehensive, Environmental Response, Compensation and Liability Act (“CERCLA”), also known as “Superfund,” and comparable state laws and regulations impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances into the environment. Such classes of persons include the current and past owners or operators of sites where a hazardous substance was released, and companies that disposed or arranged for the disposal of hazardous substances at offsite locations, such as landfills. CERCLA authorizes the EPA, and in some cases third parties, to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning

up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In addition, neighboring landowners and other third parties often file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

We currently own or lease properties that have been used by other industries for a number of years. Although we typically have used operating and disposal practices that were standard in the industry at the time, wastes may have been disposed of or released on or under the properties owned or leased by us, on or under other locations where such substances have been taken for disposal, or on or under project sites where we perform work. In addition, some of the properties may have been operated by third parties or by previous owners whose treatment and disposal or release of wastes was not under our control. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove or remediate previously disposed wastes or property contamination, or to perform remedial activities to prevent future contamination.

Table of Contents

Water Discharges

The Federal Water Pollution Control Act, also known as the Clean Water Act (“CWA”), and analogous state laws impose strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the U.S., including wetlands. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA also regulates the discharge of dredged or fill material into waters of the U.S., and activities that result in such discharge generally require permits issued by the Corps of Engineers. Moreover, above ground storage of petroleum products is strictly regulated under the CWA. Under the CWA, federal and state regulatory agencies may impose administrative, civil and/or criminal penalties for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

The Oil Pollution Act of 1990 (“OPA”), which amends and augments the CWA, establishes strict liability for owners and operators of facilities that are sites of releases of oil into waters of the U.S. OPA and its associated regulations impose a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills. For instance, OPA requires vessel owners and operators to establish and maintain evidence of financial responsibility sufficient to cover liabilities related to an oil spill for which such parties are statutorily responsible. We believe we are in compliance with all applicable OPA financial responsibility obligations. In addition, while OPA requires that certain vessels be outfitted with double hulls by 2015, given the make up and expected make up of our fleet of vessels, we do not expect to incur material expenditures to meet these requirements.

In 2009, regulations promulgated by the EPA covering certain previously exempt discharges to water from certain marine vessels became effective. The regulations provide for a general permit to cover such discharges and impose on marine vessel operators, including the Company, certain discharge, permitting, recordkeeping, reporting, monitoring, maintenance, and operating restrictions and requirements with respect to materials that are or may be discharged from certain vessels. Applicability of these restrictions and requirements is based on size and type of vessel, and they apply only to a minority of the Company’s vessels. The Company, nevertheless, is implementing such restrictions and requirements with respect to its vessels which are subject thereto, and the Company does not anticipate that such regulations or the associated permit terms, restrictions and requirements will adversely impact the Company’s business and results of operations.

Air Emissions

The Clean Air Act (“CAA”) and comparable state laws restrict the emission of air pollutants from many sources, including paint booths, and may require pre-approval for the construction or modification of certain facilities expected to produce air emissions, impose stringent air permit requirements, or require the utilization of specific equipment or technologies to control emissions. We believe that our operations are in substantial compliance with the CAA.

Climate Change

The U.S. Congress may consider legislation to reduce emissions of greenhouse gases in response to climate change concerns. In addition, several states have declined to wait on Congress to develop and implement climate control legislation and have already taken legal measures to reduce emissions of greenhouse gases. Passage of climate control legislation or other regulatory initiatives by Congress or various states of the U.S., or the adoption of regulations by the EPA and analogous state agencies that restrict emissions of greenhouse gases in areas in which we conduct business could have an adverse affect on our operations and demand for our services.

Endangered Species

The Endangered Species Act (“ESA”) restricts activities that may affect endangered species or their habitats. We conduct activities in or near areas that may be designated as habitat for endangered or threatened species. For instance, seasonal observation of endangered or threatened West Indian Manatees adjacent to work areas may impact construction operations within our Florida market. Manatees generally congregate near warm water sources during the

cooler winter months. Additionally, our dredging operations in the Florida market are impacted by limitations for placement of dredge spoil materials on designated spoil disposal islands, from April through August of each year, when the islands are inhabited by nesting colonies of protected bird species. Further, restrictions on work during the Whooping Crane nesting period in the Aransas Pass National Wildlife Refuge from October 1 through April 15 each year and during the non-dormant grass season for sea grass in the Laguna Madre from March 1 through November 30 each year impact our construction operations in the Texas Gulf Coast market. In addition, our West Coast operations are impacted by an in water work closure affecting work during the fish spawning window from mid February until mid July. We plan our operations and bidding activity with these restrictions and limitations in mind, and they have not materially hindered our business in the past. However, these and other restrictions may affect our ability to obtain work or to complete our projects on time in the future. In addition, while we believe that we are in material compliance with the ESA, the discovery of previously unidentified endangered species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected area.

Table of Contents

Employees

At December 31, 2013, we had approximately 1,200 employees, 250 of whom were full-time salaried personnel and most of the remainder of whom were hourly personnel. We will hire additional employees for certain large projects and, subject to local market conditions, additional crew members are generally available for hire on relatively short notice. Our employees are not currently represented by labor unions, except certain employees located in the Pacific Northwest and Alaska, in respect of which collective bargaining agreements are in place. Employees represented by collective bargaining agreements represent approximately 8% of our workforce. We consider our relations with our employees to be good.

Financial Information About Geographic Areas

We are a project-driven heavy civil marine contractor, and our operations represent one reportable segment for financial reporting. Our business is conducted primarily along the coastal regions of the United States. Revenues generated outside the United States, primarily in the Caribbean Basin, totaled 8.5%, 4.1%, and 0.9% of total revenues for the years ended December 31, 2013, 2012 and 2011, respectively. Our long-lived assets are substantially located in the United States.

Access to the Company's Filings

The Company maintains a website at www.orionmarinegroup.com on which we make available, free of charge, access to the various reports we file with, or furnish to, the Securities and Exchange Commission ("SEC"). The website is made available for information purposes only. It should not be relied upon for investment purposes, and none of the information on our website is incorporated into this Annual Report on Form 10-K by reference. In addition, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. RISK FACTORS

Risk Factors Relating to Our Business

We depend on continued federal, state and local government funding for marine infrastructure. A reduction in government funding for marine construction or maintenance contracts can materially affect our financial results.

A substantial portion of our operations depend on project funding by various government agencies and are adversely affected by reduced levels of, or delays in, government funding. Decreases or delays in government funding often delay project lettings and result in intense competition and pricing pressures for projects that we bid on in the future. As a result of competitive bidding and pricing pressures, we may either be awarded fewer projects, or realize lower profit margins on contracts awarded to us, which in either case could have a material adverse effect on our business, operating results and financial condition.

A significant portion of our business is awarded through government contracts. Our operating results may be adversely affected by the terms of the government contracts or our failure to comply with applicable terms.

Government contracts are subject to specific procurement regulations, contract provisions and a variety of regulatory requirements relating to their formation, administration, performance and accounting. Many of these contracts include express or implied certifications of compliance with applicable laws and contract provisions. As a result of our government contracting and subcontracting, claims for civil or criminal fraud may be brought by the government for violations of these regulations, requirements or statutes. We may also be subject to qui tam litigation brought by

private individuals on behalf of the government under the Federal Civil False Claims Act, which could include claims for up to treble damages. Further, if we fail to comply with any of these regulations, requirements or statutes, our existing government contracts could be terminated, or we could be suspended or debarred from future government contracting or subcontracting, including federally funded projects at the state level. In addition, government customers typically can terminate or modify any of their contracts with us at their convenience, and certain government agencies may claim immunity from suit to recover disputed contract amounts. If our government contracts are terminated for any reason, or if we are suspended or debarred from government work, we could suffer a significant reduction in expected revenue which could have a material adverse effect on our business, operating results and financial condition.

The timing of new contracts may result in volatility in our cash flow and profitability. These factors as well as others that may cause our actual financial results to vary from any publicly disclosed earnings guidance and forecasts are outside of our control.

Our revenues are generated from project-based work. It is generally very difficult to predict the timing and source of awarded contracts. The selection of, timing of or failure to obtain projects, delays in awards of projects, the rebidding or termination of

Table of Contents

projects due to budget overruns, cancellations of projects or delays in completion of contracts could result in the under-utilization of our assets and reduce our cash flows. Even if we are awarded contracts, we face additional risks that could affect whether, or when, work will begin. For example, some of our contracts are subject to financing and other contingencies that may delay or result in termination of projects. This may make it difficult to match workforce size and equipment location with contract needs. In some cases, we may be required to bear the cost of a ready workforce and equipment that is larger than needed at the time, resulting in unpredictability in our cash flow, expenses and profitability. If an expected contract award or the related notice to proceed is delayed or not received, we could incur substantial costs without receipt of any corresponding revenues. Delays by our customers in obtaining required approvals for their infrastructure projects may delay their awarding contracts for those projects and, once awarded, the ability to commence construction under those contracts. Moreover, construction projects for which our services are contracted may require significant expenditures by us prior to receipt of relevant payments by a customer and may expose us to potential credit risk if such customer should encounter financial difficulties. Such expenditures could reduce our cash flows and necessitate increased borrowings under our credit facilities. Finally, the winding down or completion of work on significant projects that were active in previous periods will reduce our revenue and earnings if such significant projects have not been replaced in the current period. From time-to-time we may publicly provide earnings or other forms of guidance, which reflect our predictions about future revenue, operating costs and capital structure, among other factors. Any such predictions may be impacted by these factors as well as others that are beyond our control and might not turn out to be correct.

We may be unable to obtain sufficient bonding capacity for our contracts and the need for performance and surety bonds may adversely affect our business.

We are generally required to post bonds in connection with government and certain private sector contracts to ensure job completion. We have entered into a bonding agreement with Liberty Mutual Surety of America (“Liberty”) pursuant to which Liberty acts as surety, issues bid bonds, performance bonds and payment bonds, and obligates itself upon other contracts of guaranty required by us in the day-to-day operations of our business. However, Liberty is not obligated under the bonding agreement to issue bonds for us and bonding decisions are made on a case-by-case basis. We may not be able to maintain a sufficient level of bonding capacity in the future, which could preclude us from being able to bid for certain contracts and successfully contract with certain customers, or increase our letter of credit utilization in lieu of bonds, thereby reducing availability under our credit facility. In addition, the conditions of the bonding market may change, increasing our costs of bonding or restricting our ability to get new bonding which could have a material adverse effect on our business, operating results and financial condition.

Our business depends on key customer relationships and our reputation in the heavy civil marine infrastructure market, which is developed and maintained by our executives and key project managers. Loss of any of our relationships, reputation or executives or key project managers could materially reduce our revenues and profits.

Our contracts are typically entered into on a project-by-project basis, so we generally do not have continuing contractual commitments with our customers beyond the terms of the current contract. We benefit from key customer relationships built over time and with both public and private entities. We also benefit from our reputation in the heavy civil marine infrastructure market developed over years of successfully performing on projects. Both of these aspects of our business were developed and are maintained through our executives and key project managers. We do not maintain key person life insurance policies on any of our employees. Our inability to retain our executives and key project managers could have a material adverse effect on our current customer relationships and reputation. The inability to maintain relationships with these customers or obtain new customers based on our reputation could have a material adverse effect on our business, operating results and financial condition.

The loss of, or a significant reduction in business from, one or a few customers could have an adverse impact on us.

A few customers have in the past and may in the future, account for a significant portion of our revenue and/or backlog in any one year or over a period of consecutive years, depending on the size, scope and mix of projects at the time. For example, in 2013, 2012 and 2011, revenue earned directly or indirectly from federal agencies totaled 11.7%, 16.7% and 10.7%, respectively. Although we have long-standing relationships with many of our customers, many of our contracts allow for the unilateral reduction, delay or cancellation of work at any time, which could have an adverse impact on our business, financial condition or results of operations.

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

We had a backlog of work to be completed on contracts totaling approximately \$247.3 million as of December 31, 2013. Backlog develops as a result of new awards, which represent the potential revenue value realizable pursuant to new project commitments received by us during a given period. Backlog consists of projects under contract which have either (a) not yet been started or (b) are in progress but are not yet complete. In the latter case, the revenue value reported in backlog is the remaining value related to work that has not yet been completed. We cannot guarantee that the revenue projected in our backlog will be realized, or if realized, will result in earnings. From time-to-time, projects are cancelled that appeared to have a high certainty of going forward

Table of Contents

at the time they were recorded as new awards. In the event of a project cancellation, we may be reimbursed for certain costs but typically have no contractual right to recover the total revenue reflected in our backlog. In addition to being unable to recover certain direct costs, cancelled projects may also result in additional unrecoverable costs due to the resulting under-utilization of our assets.

We could suffer contract losses if we fail to accurately estimate our costs or fail to execute within our cost estimates on fixed-price, lump-sum contracts.

Much of our revenue is derived from fixed-price, lump-sum contracts. Under these contracts, we perform our services and execute our projects at a fixed price and where, as a result, we could benefit from cost savings, but we may be unable to recover any cost overruns. Fixed-price contracts carry inherent risks, including risks of losses from underestimating costs, operational difficulties and other factors that may occur over the contract period. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, we may incur losses or the project may not be as profitable as we expected. In addition, we are sometimes required to incur costs in connection with modifications to a contract (change orders) that may not be approved by the customer as to scope and/or price, or to incur unanticipated costs, including costs for customer-caused delays, errors in specifications or designs, or contract suspension or termination, that we may not be able to recover. These, in turn, could have a material adverse effect on our business, operating results and financial condition. The revenue, cost and gross profit realized on such contracts can vary, sometimes substantially, from the original projections due to changes in a variety of factors, such as:

- failure to properly estimate costs of engineering, design, material, equipment or labor;
- unanticipated technical problems with the structures or services being supplied by us, which may require that we spend our own money to remedy the problem;
- project modifications creating unanticipated costs;
- changes in the costs of equipment, materials, labor or subcontractors;
- our suppliers' or subcontractors' failure to perform;
- difficulties in our customers obtaining required governmental permits or approvals;
- changes in local laws and regulations;
- delays caused by local weather conditions; and
- exacerbation of any one or more of these factors as projects grow in size and complexity.

These risks increase if the project is of a long-term duration because of the elevated risk that the circumstances upon which we based our original bid will change in a manner that increases costs. In addition, we sometimes bear the risk of delays caused by unexpected conditions or events.

Our dependence on petroleum-based products increases our costs as the prices of such products increase, which could adversely affect our business, operating results and financial condition.

We use diesel fuel and other petroleum-based products to operate our equipment used in our construction contracts. Fluctuations in supplies relative to demand and other factors can cause unanticipated increases in their cost. Future increases in the costs of fuel and other petroleum-based products used in our business, particularly if a bid has been submitted for a contract and the costs of those products have been estimated at amounts less than the actual costs thereof, could result in a lower profit, or even a loss, on one or more contracts.

Many of our contracts have penalties for late completion.

In many instances, including in our fixed-price contracts, we guarantee that we will complete a project by a scheduled date. If we subsequently fail to complete the project as scheduled, we may be liable for any customer losses resulting

from such delay, generally in the form of contractually agreed-upon liquidated damages. In addition, failure to maintain a required schedule could cause us to default on our government contracts, giving rise to a variety of potential damages. To the extent that these events occur, the total costs of the project could exceed our original estimates, and we could experience reduced profits or, in some cases, a loss for that project.

We may choose, or be required, to pay our suppliers and subcontractors even if our customers do not pay, or delay paying, us for the related services.

We use suppliers to obtain necessary materials and subcontractors to perform portions of our services and to manage work flow. In some cases, we pay our suppliers and subcontractors before our customers pay us for the related services. If we choose, or are required, to pay our suppliers and subcontractors for materials purchased and work performed for customers who fail to pay, or

Table of Contents

delay paying, us for the related work, we could experience a material adverse effect on our liquidity, operating results and financial condition.

We extend credit to customers for purchases of our services, and in the past we have had, and in the future we may have, difficulty collecting receivables from major customers that have filed bankruptcy or are otherwise experiencing financial difficulties.

We generally perform services in advance of payment for our customers, which include governmental entities, general contractors, and builders, owners and managers of marine and port facilities. Consequently, we are subject to potential credit risk related to changes in business and economic factors. On occasion, we have had difficulty collecting from governmental entities or customers with financial difficulties. If we cannot collect receivables for present or future services, we could experience reduced cash flows and losses beyond our established reserves.

We may incur higher costs to acquire, manufacture and maintain equipment necessary for our operations.

We have traditionally owned most of the equipment used in our projects, and we do not bid on contracts for which we do not have, or cannot quickly procure, whether through construction, acquisition or lease, the necessary equipment. We are capable of building much of the specialized equipment used in our projects, including dayboats, tenders and dredges. To the extent that we are unable to buy or build equipment necessary for our needs, either due to a lack of available funding or equipment shortages in the marketplace, we may be forced to rent equipment on a short-term basis, which could increase the costs of completing contracts, thereby reducing contract profitability. In addition, our equipment requires continuous maintenance, which we provide through our own repair facilities, as well as certification by the U.S. Coast Guard. If we are unable to continue to maintain the equipment in our fleet or are unable to obtain the requisite certifications, we may be forced to obtain third-party repair services, be unable to use our uncertified equipment or be unable to bid on contracts, which could have a material adverse effect on our business, operating results and financial condition.

In addition, our vessels may be subject to arrest/seizure by claimants as security for maritime torts committed by the vessel or us or the failure by us to pay for necessities, including fuel and repair services, which were furnished to the vessel. Such arrest/seizure could preclude the vessel from working, thereby causing delays in marine construction projects.

To be successful, we need to attract and retain qualified personnel, and any inability to do so could adversely affect our business.

Our future success depends on our ability to attract, retain and motivate highly skilled personnel in various areas, including engineering, project management, procurement, project controls, finance, and senior management. If we do not succeed in retaining and motivating our current employees and attracting new high quality employees, our business could be adversely affected. Accordingly, our ability to increase our productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We may not be able to maintain an adequate skilled labor force necessary to operate efficiently. Our labor expenses may also increase as a result of a shortage in the supply of skilled personnel, or we may have to curtail our planned internal growth as a result of labor shortages. We may also spend considerable resources training employees who may then be hired by our competitors, forcing us to spend additional funds to attract personnel to fill those positions. In addition, certain of our employees hold licenses and permits under which we operate. The loss of any such employees could result in our inability to operate under such licenses and permits, which could adversely affect our operations until replacement licenses or permits are obtained. If we are unable to hire and retain qualified personnel in the future, there could be a material adverse effect on our business, operating results and financial condition.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs.

We primarily have a non-union workforce. If a majority of our employees unionized, it could limit the flexibility of our workforce and could result in demands that may increase our operating expenses and adversely affect our profitability. Each of our different employee groups could unionize at any time and would require separate collective bargaining agreements. If any group of our employees were to unionize and we were unable to agree on the terms of their collective bargaining agreement or we were to experience widespread employee dissatisfaction, we could be subject to work slowdowns or stoppages. In addition, we may be subject to disruptions by organized labor groups protesting our non-union status. Any of these events would be disruptive to our operations and could have a material adverse effect on our business, operating results and financial condition.

Table of Contents

Construction worksites may be inherently dangerous workplaces. If we fail to maintain safe worksites, we may be subject to significant operating risks and hazards that could result in injury or death to persons, which could result in losses or liabilities to us.

Our safety record is an important consideration for us and for our customers. If serious accidents or fatalities occur or our safety record was to deteriorate, we may be ineligible to bid on certain work, and existing service arrangements could be terminated. Further, regulatory changes implemented by OSHA or the U.S. Coast Guard could impose additional costs on us. Adverse experience with hazards and claims could have a negative effect on our reputation with our existing or potential new customers and our prospects for future work.

Our business is subject to significant operating risks and hazards that could result in damage or destruction to property, which could result in losses or liabilities to us.

The businesses of marine infrastructure construction, port maintenance, dredging and salvage are generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, hurricanes, adverse weather conditions, collisions with fixed objects, cave-ins, encountering unusual or unexpected geological formations, disruption of transportation services and flooding. These risks could result in damage to or destruction of, dredges, transportation vessels, other maritime structures and buildings, and could also result in personal injury or death, environmental damage, performance delays, monetary losses or legal liability.

Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates, or at all.

We maintain various insurance policies, including general liability and workers' compensation. We are partially self-insured under some of our policies, and our insurance does not cover all types or amounts of liabilities. We are not required to, and do not, specifically set aside funds for our self-insurance programs.

At any given time, we are subject to multiple workers' compensation and personal injury claims. We maintain substantial loss accruals for workers' compensation claims, and our workers' compensation and insurance costs have been rising for several years notwithstanding our emphasis on safety. Our insurance policies may not be adequate to protect us from liabilities that we incur in our business. In addition, some of the projects that we bid on require us to maintain builder's risk insurance at high levels. We may not be able to obtain similar levels of insurance on reasonable terms, or at all. Our inability to obtain such insurance coverage at acceptable rates or at all could have a material adverse effect on our business, operating results and financial condition.

Furthermore, due to a variety of factors such as increases in claims and projected significant increases in medical costs and wages, our insurance premiums may increase in the future and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any such inadequacy of, or inability to obtain, insurance coverage at acceptable rates, or at all, could have a material adverse effect on our business, operating results and financial condition.

Our employees are covered by federal laws that provide seagoing employees remedies for job-related claims in addition to those provided by state laws.

Many of our employees are covered by federal maritime law, including provisions of the Jones Act, the Longshore and Harbor Workers Act, ("USL&H") and the Seaman's Wage Act. Jones Act laws typically operate to make liability limits established by USL&H and state workers' compensation laws inapplicable to these employees and to permit these employees and their representatives to pursue litigation against employers for job-related injuries. Because in

some cases we are not protected by the limits imposed by state workers' compensation statutes, we have greater exposure for claims made by these employees as compared to employers whose employees are not covered by these provisions.

For example, in the normal course of business, we are a defendant in various personal injury lawsuits. We maintain insurance to cover claims that arise from injuries to our workforce subject to a deductible. During 2013, we recorded approximately \$2.6 million of expense for our self-insured portion of these liabilities. We believe our recorded self insurance reserves represent our best estimate of the outcomes of these claims. Should negative trends persist; we could continue to be negatively impacted in the future.

Table of Contents

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

We have been and may from time to time be named as a defendant in legal actions claiming damages in connection with marine infrastructure projects and other matters. Typically, these claims that arise in the normal course of business, including employment-related claims and contractual disputes or claims for personal injury (including asbestos-related lawsuits) or property damage which occurs in connection with services performed relating to project or construction sites. These actions may seek, among other things, compensation for alleged personal injury, workers' compensation, employment discrimination, breach of contract, property damage, environmental damage, punitive damages, civil penalties or other losses, consequential damages or injunctive or declaratory relief. Contractual disputes normally involve claims relating to the timely completion of projects, performance of equipment, design or other engineering services or project services. We may incur liabilities that may not be covered by insurance policies, or, if covered, the dollar amount of such liabilities may exceed our policy limits or fall below applicable deductibles. A partially or completely uninsured claim, if successful and of significant magnitude, could cause us to suffer a significant loss and reduce cash available for our operations.

Furthermore, our services are integral to the operation and performance of the marine infrastructure. As a result, we may become subject to lawsuits or claims for any failure of the infrastructure that we work on, even if our services are not the cause for such failures. In addition, we may incur civil and criminal liabilities to the extent that our services contributed to any property damage or personal injury. With respect to such lawsuits, claims, proceedings and indemnities, we have and will accrue reserves in accordance with generally accepted accounting principles ("GAAP"). In the event that such actions or indemnities are ultimately resolved unfavorably at amounts exceeding our accrued reserves, or at material amounts, the outcome could materially and adversely affect our reputation, business, operating results and financial condition. In addition, payments of significant amounts, even if reserved, could adversely affect our liquidity position.

Our operations are subject to environmental laws and regulations that may expose us to significant costs and liabilities.

Our marine infrastructure construction, salvage, demolition, dredging and dredge material disposal activities are subject to stringent and complex federal, state and local environmental laws and regulations, including those concerning air emissions, water quality, solid waste management, and protection of certain marine and bird species, their habitats, and wetlands. We may incur substantial costs in order to conduct our operations in compliance with these laws and regulations. For instance, we may be required to obtain, maintain and comply with permits and other approvals (as well as those obtained for projects by our customers) issued by various federal, state and local governmental authorities; limit or prevent releases of materials from our operations in accordance with these permits and approvals; and install pollution control equipment. In addition, compliance with environmental laws and regulations can delay or prevent our performance of a particular project and increase related project costs. Moreover, new, stricter environmental laws, regulations or enforcement policies, including those imposed in response to climate change, could be implemented that significantly increase our compliance costs, or require us to adopt more costly methods of operation.

Failure to comply with environmental laws and regulations, or the permits issued under them, may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of injunctions limiting or preventing some or all of our operations. In addition, strict joint and several liability may be imposed under certain environmental laws, which could cause us to become liable for the investigation or remediation of environmental contamination that resulted from the conduct of others or from our own actions that were in compliance with all applicable laws at the time those actions were taken. Further, it is possible that we may be exposed to liability due to releases of pollutants, or other environmental impacts that may arise in the course of our

operations. For instance, some of the work we perform is in underground and water environments, and if the field location maps or waterway charts supplied to us are not accurate, or if objects are present in the soil or water that are not indicated on the field location maps or waterway charts, our underground and underwater work could strike objects in the soil or the waterway bottom containing pollutants and result in a rupture and discharge of pollutants. In addition, we sometimes perform directional drilling operations below certain environmentally sensitive terrains and water bodies, and due to the inconsistent nature of the terrain and water bodies, it is possible that such directional drilling may cause a surface fracture releasing subsurface materials. These releases may contain contaminants in excess of amounts permitted by law, may expose us to remediation costs and fines and legal actions by private parties seeking damages for non-compliance with environmental laws and regulations or for personal injury or property damage. We may not be able to recover some or any of these costs through insurance or increased revenues, which may have a material adverse effect on our business, operating results and financial condition. See “Business - Environmental Matters” for more information.

Table of Contents

We may be affected by market or regulatory responses to climate change.

Climate change legislation or regulation may result in the imposition of additional environmental regulations, concerning, among other factors, greenhouse gas emissions. Enactment of such additional regulations could result in increased compliance costs for us and our customers. We may not be able to pass such additional costs on to our customers.

We may be unable to sustain historical revenue growth rates.

We may be unable to sustain the revenue growth rates we experienced in the past, due to limits on additional growth in our current markets, less success in competitive bidding for contracts, limitations on access to necessary working capital and investment capital to sustain growth, limitations on access to bonding to support increased contracts and operations, the inability to hire and retain essential personnel and to acquire equipment to support growth, and the inability to identify acquisition candidates and successfully integrate them into our business. A sustained decrease in revenue growth could have a material adverse effect on our business, operating results and financial condition if we are unable to reduce the growth of our operating expenses at the same rate.

The anticipated investment in port and marine infrastructure may not be as large as expected, which may result in periods of low demand for our services.

The demand for port construction, maintenance infrastructure services and dredging may be vulnerable to downturns in the economy generally and in the marine transportation industry specifically. The amount of capital expenditures on port facilities and marine infrastructure in our markets is affected by the actual and anticipated shipping and vessel needs of the economy in general and in our geographic markets in particular. If the general level of economic activity deteriorates, our customers may delay or cancel expansions, upgrades, maintenance and repairs to their infrastructure. A number of other factors, including the financial condition of the industry, could adversely affect our customers and their ability or willingness to fund capital expenditures in the future. During downturns in the U.S. or world economies, the anticipated port usage in our geographic markets may decline, resulting in less port construction, upgrading and maintenance. As a result, demand for our services could substantially decline for extended periods.

Terrorist attacks at port facilities could negatively impact the markets in which we operate.

Terrorist attacks, targeted at ports, marine facilities or shipping could affect the markets in which we operate our business and our expectations. Increased armed hostilities, terrorist attacks or responses from the U.S. may lead to further acts of terrorism and civil disturbances in the U.S. or elsewhere, which may further contribute to economic instability in the U.S. These attacks or armed conflicts may affect our operations or those of our customers or suppliers and could impact our revenues, our production capability and our ability to complete contracts in a timely manner.

Our operations are susceptible to adverse weather conditions in our regions of operation.

Our business, operating results and financial condition could be materially and adversely affected by severe weather, particularly along the Gulf Coast, the Atlantic Seaboard and Caribbean Basin. Repercussions of severe weather conditions may include:

- evacuation of personnel and curtailment of services;
- weather-related damage to our equipment, facilities and project work sites resulting in suspension of operations;
- inability to deliver materials to jobsites in accordance with contract schedules; and

Loss of productivity.

Our operations may be subject to risks from earthquakes and other seismic activity.

Our business, operating results, and financial condition could be adversely affected by earthquakes or other seismic activity along the West Coast or in Alaska, due to catastrophic loss and damage to our facilities, equipment, and project work sites, as well as interruptions to projects in process and loss of productivity.

We are subject to risks related to our international operations.

We currently have on-going projects in the Caribbean Basin. International operations subject us to additional risks, including:

- uncertainties concerning import and export license requirements, tariffs and other trade barriers;
- restrictions on repatriating foreign profits back to the U.S.;

Table of Contents

- changes in foreign policies and regulatory requirements;
- difficulties in staffing and managing international operations;
- taxation issues;
- currency fluctuations; and
- political, cultural and economic uncertainties.

These risks could restrict our ability to provide services to international customers and could have a material adverse effect on our business, operating results and financial condition.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act (the “FCPA”) and similar anti-bribery laws in other jurisdictions generally prohibit companies, their affiliates and intermediaries from making improper payments for the purpose of obtaining or retaining business. Our policies mandate compliance with the FCPA and these other laws. Our international operations are currently not a significant portion of our business; however, despite our compliance programs and internal training, there is no assurance that our internal control policies and procedures will protect us from acts committed by our employees or agents. If we are found to be liable for FCPA or other violations, we could suffer from civil and criminal penalties or other sanctions, which could have a material adverse impact on our business, financial condition or results of operations.

Restrictions on foreign ownership of our vessels could limit our ability to sell off any portion of our business or result in the forfeiture of our vessels or in our inability to continue our operations in U.S. navigable waters.

The Dredging Act, the Jones Act, the Shipping Act and the Vessel Documentation Act require vessels engaged in the transport of merchandise or passengers between two points in the U.S. or dredging in the navigable waters of the U.S. to be owned and controlled by U.S. citizens. The U.S. citizen ownership and control standards require the vessel-owning entity to be at least 75% U.S. citizen-owned, thus restricting foreign ownership interests in the entities that directly or indirectly own the vessels which we operate. If we were to seek to sell any portion of our business unit that owns any of these vessels, we may have fewer potential purchasers, since some potential purchasers might be unable or unwilling to satisfy the foreign ownership restrictions described above; additionally, any sales of certain of our larger vessels to foreign buyers would be subject to approval by the U.S. Maritime Administration. As a result, the sales price for that portion of our business may not attain the amount that could be obtained in an unregulated market.

Our strategy of growing through strategic acquisitions may not be successful.

We may pursue growth through the acquisition of companies or assets that will enable us to broaden the types of projects we execute and also expand into new markets. We have completed several acquisitions and plan to consider strategic acquisitions in the future. We may be unable to implement this growth strategy if we cannot identify suitable companies or assets or reach agreement on potential strategic acquisitions on acceptable terms. Moreover, an acquisition involves certain risks, including:

- difficulties in the integration of operations, systems, policies and procedures;
- enhancements in our controls and procedures including those necessary for a public company may make it more difficult to integrate operations and systems;
- failure to implement proper overall business controls, including those required to support our growth, resulting in inconsistent operating and financial practices at companies we acquire or have acquired;
- termination of relationships with the key personnel and customers of an acquired company;
-

additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls;

the incurrence of environmental and other liabilities, including liabilities arising from the operation of an acquired business or asset prior to our acquisition for which we are not indemnified or for which the indemnity is inadequate; disruption of or receipt of insufficient management attention to our ongoing business; and inability to realize the cost savings or other financial benefits that we anticipate.

Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in additional goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

Table of Contents

We may be vulnerable to the cyclical nature of the markets in which our customers operate, which may be exacerbated during economic downturns.

Economic downturns have affected numerous industries and companies and many states continue to face difficult budget decisions which could result in reduced demand for general construction projects. This reduced demand may increase the number of potential bidders in our markets and could increase the competitive environment through pressure on pricing. Budgeting decisions and constraints due to the tight credit markets may result in diversion of governmental funding from projects we perform to other uses. A weak economy may also produce less tax revenue, thereby decreasing funds for public sector projects. Lower levels of activity may result in a corresponding decline in the demand for our services, which could have a material adverse effect on our revenue and profitability.

Negative conditions in the credit and financial markets could impair our ability to operate our business, or implement our acquisition strategies

Instability in the credit markets in the United States and abroad, could affect the availability of credit and may make it difficult or expensive to obtain in spite of increased liquidity and low interest rates. We may face challenges if conditions in the financial markets deteriorate. While these conditions have not impaired the Company's ability to access credit markets and finance operations, at this time, there can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies. A continuing shortage of liquidity could have an impact on the lenders under our credit facility or on our customers.

Certain provisions of our certificate of incorporation and bylaws and of Delaware law may make it difficult for stockholders to change the composition of our board of directors and may discourage a takeover or change of control.

We are a Delaware corporation. Various anti-takeover provisions under Delaware law impose impediments on the ability of others to acquire control of us, even if a change of control would be beneficial to our shareholders. In addition, certain provisions of our charters and bylaws may impede or discourage a takeover. For example:

- our Board of Directors is divided into three classes serving staggered three-year terms;
- vacancies on the Board of Directors can only be filled by other directors;
- there are various restrictions on the ability of a shareholder to nominate a director for election; and
- our Board of Directors can authorize the issuance of preference shares.

These types of provisions in our charters and bylaws could also make it more difficult for a third party to acquire control of us, even if the acquisition would be beneficial to our shareholders. Accordingly, shareholders may be limited in the ability to obtain a premium for their shares.

Risk Factors Related to our Accounting, Financial Results and Financing Plans

Actual results could differ from the estimates and assumptions that we use to prepare our financial statements.

To prepare financial statements in conformity with GAAP, management is required to make estimates and assumptions as of the date of the financial statements, which affect the reported values of assets and liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Areas requiring significant estimates by our management include: contract costs and profits, application of percentage-of-completion accounting, and revenue recognition of contract change order claims; provisions for uncollectible receivables and customer claims and recoveries of costs from subcontractors, suppliers and others; valuation of assets acquired and liabilities assumed in connection with business combinations; accruals for estimated liabilities, including litigation and insurance reserves; and the value of our deferred tax assets. Our actual results could differ from those estimates.

Our use of the percentage-of-completion method of accounting could result in a reduction or reversal of previously recorded revenue and profit.

As is more fully discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies,” we recognize contract revenue using the percentage-of-completion method. A significant portion of our work is performed on a fixed-price or lump-sum basis. The balance of our work is performed on variations of cost reimbursable and unit price approaches. Contract revenue is accrued based on the percentage that actual costs-to-date bear to total estimated project costs. We utilize this cost-to-cost approach as we believe this method is less subjective than relying on assessments of physical progress. While the cost-to-cost approach is the most widely recognized method used for percentage-of-completion accounting, the use of estimated cost to complete each contract is a significant variable in the process of determining income earned and is a significant factor in the accounting for contracts. The cumulative impact of revisions in total cost estimates during

Table of Contents

the progress of work is reflected in the period in which these changes become known. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which may result in a reduction or reversal of previously recorded revenue and profit.

An impairment charge to goodwill could have a material adverse impact on our financial condition and results of operations.

At December 31, 2013, goodwill carried on our Consolidated Balance Sheets was \$33.8 million, representing 10.7% of our total assets of \$306.2 million. Under GAAP, we are required to review goodwill not less than annually, and if events or circumstances change between annual tests, for possible impairment based on a fair value approach of our reporting unit. In September 2011, the Financial Accounting Standards Board ("FASB") amended accounting guidance on goodwill impairment testing to allow companies to perform a qualitative assessment before calculating the fair value of its reporting units.

Changes in macroeconomic indicators, the overall business climate, a sustained decline in a reporting unit's market value, operating performance indicators, and other factors could affect our assessment of fair value, either through a qualitative approach or through direct testing, and result in an impairment charge with a material adverse effect on our financial condition and results of operations in the period in which the charge is taken.

Failure to establish and maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and stock value.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial reports and is important in helping to prevent financial fraud. If we are unable to achieve and maintain adequate internal controls, our business, operating results and financial condition could be harmed. We are required under Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") and the related rules of the SEC to annually assess the effectiveness of our internal controls over financial reporting and our independent registered public accounting firm is required to issue a report on the effectiveness of our internal control over financial reporting. During the course of the related documentation and testing, we may identify significant deficiencies or material weaknesses that we may be unable to remediate before the requisite deadline for those reports. If our management or our independent registered public accounting firm were to conclude in their reports that our internal control over financial reporting was not effective, this could have a material adverse effect on our ability to process and report financial information and the value of our common stock could significantly decline.

Our effective tax rate may increase or decrease

Significant judgment is required in determining our provision for income taxes. In the ordinary course of business, there are many transactions and calculations in which the ultimate tax determination is uncertain. Although we believe that our tax estimates and tax provisions are reasonable, they could be materially affected by the final outcome of tax audits, the introduction of new tax accounting standards, legislation, regulations and related interpretations, our mix of earnings, the realizability of deferred tax positions and recognition or changes in uncertain tax positions. An increase or decrease in our effective tax rate could have a material adverse impact on our financial condition and results of operations.

Our bonding requirements may limit our ability to incur indebtedness.

We generally are required to provide various types of surety bonds that provide an additional measure of security for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends upon various factors including our capitalization, working capital and amount of our indebtedness. In order to help

ensure that we can obtain required bonds, we may be limited in our ability to incur additional indebtedness that may be needed for potential acquisitions and operations. Our inability to incur additional indebtedness could have a material adverse effect on our business, operating results and financial condition.

A downturn in economic conditions may impact our customers' ability to pay for services and finance projects.

Our primary customers are governmental agencies in the United States, as well as a wide variety of private customers in diverse industries. It is possible that current economic conditions may affect some of our customers' ability to access sufficient capital to finance or complete projects. Our cash flows may be adversely impacted through customer delays in payment or non-payment of our accounts receivable, or through delays or cancellations of projects awarded to us. We monitor our accounts receivable balances closely and maintain contact with our customers to assess the economic viability of projects in process.

Table of Contents

Risks related to ownership of our common stock

A significant increase in the foreign ownership of our publicly traded stock may affect our ability to operate in U.S. waters.

Our certificate of incorporation contains provisions limiting ownership of our capital stock by non-U.S. citizens. The Company performs periodic checks of foreign ownership of its common stock through reports provided by its transfer agent to ensure compliance with the Jones Act, the Dredging Act and other laws regarding the operation of vessels in U.S. waterways. We do not believe that our capital stock owned by non-U.S. citizens is significant in relation to the 25% limitation specified in our certificate of incorporation. However, if we or any of our operating subsidiaries cease to be 75% controlled and owned by U.S. citizens, we would become ineligible to continue our operations in U.S. navigable waters and may become subject to penalties and risk forfeiture of our vessels.

The price of our common stock may be volatile.

The market price of our common stock may be influenced by many factors, some of which are beyond our control, including actual or anticipated fluctuations in our operating results, or those of our competitors, public announcements by us or our competitors regarding acquisitions, strategic investments, project awards, the financial market and general economic conditions, changes in stock market analyst recommendations, sales of common stock by our executive officers, directors and/or significant stockholders, as well as reactions to those described above under “Risk Factors related to our Business”.

Our quarterly results may fluctuate significantly, which could have a material adverse effect on the price of our common stock.

Our quarterly results of operations may fluctuate significantly due to a number of factors including:

- The number and significance of projects executed in a quarter;
- Fluctuations in spending patterns of our government or commercial customers;
- Unanticipated changes in contract performance;
- Delays incurred in connection with a project;
- The scope of projects under execution in a quarter;
- Natural disasters or other crises;
- Utilization rates, and
- General economic and political conditions.

These fluctuations in revenue and/or margin may have a material adverse effect on our stock price.

Item 1B. UNRESOLVED STAFF COMMENTS

None

Item 2. PROPERTIES

Our corporate headquarters is located at 12000 Aerospace, Suite 300, Houston, Texas 77034, with 10,983 square feet of office space that we lease, with an initial term expiring February 28, 2017 and with two five year extensions at our option. Our executive, legal and finance and accounting offices are located at this facility. We lease office space in Alaska, Louisiana, Texas, Virginia and Washington. We own property for our waterfront maintenance and dock facilities, including equipment yards in Texas and Florida, which total approximately 87.7 acres. We may lease

smaller project related offices throughout our operating areas when the need arises.

On February 26, 2014, we purchased approximately 340 acres of land in the upper Houston Ship Channel to be used as a dredge material placement area ("DMPA"). The purchase of the DMPA will allow the Company to service private customers along the Houston Ship Channel, allow for the more effective deployment of some of the Company's dredging assets, and generate additional revenue from dredge material disposal fees.

We believe that our existing facilities are adequate for our operations. We do not believe that any single facility is material to our operations and, if necessary, we could readily obtain a replacement facility. Some of our real estate assets are pledged to secure our credit facility.

Table of Contents

Item 3. LEGAL PROCEEDINGS

Although we are subject to various claims and legal actions that arise in the ordinary course of business, except as described below, we are not currently a party to any material legal proceedings or environmental claims.

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

Item 4. MINE SAFETY DISCLOSURE

Not applicable

Table of ContentsItem MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol "ORN". We have provided to the NYSE, without qualification, the required certification regarding compliance with NYSE corporate governance listing standards.

The following table sets forth the low and high prices of a share of our common stock during each of the fiscal quarters presented, based on NYSE reports:

	Low	High
2013		
Fourth quarter – December 31	\$10.35	\$13.77
Third quarter – September 30	\$9.20	\$13.52
Second quarter – June 30	\$8.41	\$12.77
First quarter – March 31	\$7.26	\$10.71
2012		
Fourth quarter – December 31	\$6.09	\$7.93
Third quarter – September 30	\$6.05	\$8.14
Second quarter – June 30	\$6.04	\$8.25
First quarter – March 31	\$6.87	\$8.23

Holders

As of March 25, 2014, we had approximately 4,525 stockholders of record including beneficial holders.

Dividends

For the foreseeable future, we intend to retain earnings to grow our business and do not intend to pay dividends on our common stock. We have not historically paid dividends and payments of future dividends, if any, will be at the discretion of our board of directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements, and other factors that our board of directors deems relevant. Our existing credit facility restricts our ability to pay cash dividends on our common stock, and we may also enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock.

Issuer Purchase of Equity Securities

None

Performance Graph*

The following graph shows the changes, since our common stock began trading on the NASDAQ Global Market on December 20, 2007, in the value of \$100 invested in (1) the common stock of Orion Marine Group, Inc., (2) the Standard & Poor's 500 Index and (3) the Dow Jones Heavy Construction Group Index. The values of each investment are based on share price appreciation, with reinvestment of all dividends, assuming any were paid. For each graph, the investments are assumed to have occurred at the beginning of each period.

Table of Contents

	2008	2009	2010	2011	2012	2013
Orion Marine Group, Inc.	100.00	218.01	120.08	68.84	75.67	124.53
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Dow Jones US Heavy Civil Construction	100.00	114.31	146.77	121.00	146.93	192.89

Note: The above information was provided by Research Data Group, Inc.

*This table and the information therein is being furnished but not filed.

Item 6. SELECTED FINANCIAL DATA

The following table presents selected financial data for each of the last five fiscal years. This selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes beginning on page F-1 of this Annual Report on Form 10-K and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. These historical results are not necessarily indicative of the results of operations to be expected for any future period.

The table below includes the non-GAAP operating performance measure of EBITDA. For a definition of EBITDA and a reconciliation to net income calculated and presented in accordance with GAAP, please see “Non-GAAP Financial Measures” immediately below.

Table of Contents

	Amounts in thousands, except share and per share information				
	2013	2012	2011	2010	2009
Contract revenues	\$354,544	\$292,042	\$259,852	\$353,135	\$293,494
Gross profit	32,004	14,370	10,238	65,233	62,697
Selling, general and administrative expenses	32,110	28,573	29,519	33,418	30,695
Other expense (income), net	500	2,303	180	(1,254)	) 438
Net income (loss) attributable to common stockholders	\$331	\$(11,866)	) \$(13,114)	) \$21,380	\$20,030
Net income (loss) per share:					
Basic	\$0.01	\$(0.44)	) \$(0.49)	) \$0.79	\$0.85
Diluted	\$0.01	\$(0.44)	) \$(0.49)	) \$0.79	\$0.84
Weighted average shares outstanding:					
Basic	27,296,732	27,138,927	26,990,059	26,899,373	23,577,854
Diluted	27,613,054	27,138,927	26,990,059	27,165,852	23,979,943
Other Financial Data					
EBITDA	\$21,444	\$5,772	\$2,949	\$53,634	\$50,538
Capital expenditures	12,760	24,644	14,894	29,050	22,693
Cash interest expense	483	697	212	547	553
Depreciation and amortization*	21,538	21,570	22,092	20,230	18,536
Net cash provided by (used in):					
Operating activities	13,033	24,438	32,676	13,839	40,336
Investing activities	(12,010)	) (33,273)	) (14,053)	) (95,755)	) (21,598)
Financing activities	(3,248)	) 12,940	(2,818)	) 354	60,286

*includes depreciation and amortization of finite lived intangible assets

	2013	2012	2011	2010	2009
(in thousands)					
Balance Sheet Data:					
Cash and cash equivalents	\$40,859	\$43,084	\$38,979	\$23,174	\$104,736
Working capital	65,473	55,775	75,840	76,728	130,760
Total assets	306,208	316,296	282,068	306,560	272,910
Total debt	8,564	12,621	—	—	—
Total stockholders' equity	227,812	224,531	232,933	246,107	221,465

Non-GAAP Performance Measures

We include in this Annual Report on Form 10-K the non-GAAP performance measure of EBITDA. We define EBITDA as income before interest, income taxes, depreciation and amortization. EBITDA is used as a supplemental operating performance measure by our management and by external users of our financial statements such as investors, commercial banks and others, to assess:

- the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
- our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

EBITDA is not a presentation made in accordance with GAAP. EBITDA should not be considered an alternative to, or more meaningful than, net income, operating income, cash flows from operating activities or any other measure of performance presented in accordance with GAAP as measures of operating performance. Because EBITDA excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies. EBITDA has important limitations as an analytical tool, and you should not consider it in isolation.

The following table provides a reconciliation of EBITDA to our net income for the periods indicated as calculated and presented in accordance with GAAP:

Table of Contents

	2013	2012	2011	2010	2009
Net income (loss)attributable to common stockholders	\$331	\$(11,866	) \$(13,114	) \$21,380	\$20,030
Income tax (benefit) expense	(937	) (4,640	) (6,347	) 11,689	11,534
Interest expense, net	512	708	318	335	438
Depreciation and amortization*	21,538	21,570	22,092	20,230	18,536
EBITDA	\$21,444	\$5,772	\$2,949	\$53,634	\$50,538

*includes depreciation, amortization of finite-lived intangible assets and amortization of deferred financing costs

Table of Contents

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is based on and should be read in conjunction with our consolidated financial statements and the accompanying notes beginning on page F-1 of this Annual Report on Form 10-K. Certain statements made in our discussion may be forward-looking. Forward-looking statements involve risks and uncertainties and a number of factors could cause actual results or outcomes to differ materially from our expectations. See "Forward-Looking Statements" at the beginning of this Annual Report on Form 10-K for additional discussion of some of these risks and uncertainties. Unless the context requires otherwise, when we refer to "we", "us" and "our", we are describing Orion Marine Group, Inc. and its consolidated subsidiaries.

Overview

We are a leading marine specialty contractor serving the heavy civil marine infrastructure market. We provide a broad range of marine construction and specialty services on, over and under the water along the Gulf Coast, the Atlantic Seaboard, the West Coast, Canada and the Caribbean Basin, as well as have a marketing presence, but no operations, in Australia. Our customers include federal, state and municipal governments, the combination of which accounted for approximately 43% of our revenue in the year ended December 31, 2013, as well as private commercial and industrial enterprises. We are headquartered in Houston, Texas.

2013 Recap and 2014 Outlook

In 2013, we recorded revenues of \$354.4 million, the highest in the Company's history. In addition, we ended 2013 with substantial backlog of \$247.3 million. Our revenues in 2013 increased by 21.3% as compared with 2012, and we recorded net income of \$0.3 million, as compared with a loss of \$11.9 million in the prior year.

As we begin 2014, we continue to see strong market fundamentals and continued steady demand for our heavy civil marine construction services. Our tracking database of future projects of interest remains strong for the foreseeable future. We continue to see new bid opportunities in the private sector, reflecting increases in capital projects, both in new construction and refurbishment of existing infrastructure. Bridge projects funded by various state departments of transportation, as well as projects led by local port authorities, continue to be let at normal levels. However, current and future lettings from the US Army Corps of Engineers continue to remain inconsistent and uncertain, which puts pressure on the utilization of our dredging assets, particularly in the first half of 2014.

In the long-term, and subject to the funding constraints described above, we see positive trends in demands for our services in our end markets, including:

- General demand to repair and improve degrading US marine infrastructure;
- The WRDA/WRRDA bills which will authorize expenditures for the conservation and development of the nation's waterways, as well as address funding deficiencies within the Harbor Maintenance Trust Fund;
- Renewed focus on coastal rehabilitation along the Gulf Coast, particularly through the use of RESTORE Act funds based on fines collected related to the 2010 Gulf of Mexico oil spill;
- Expected increases in cargo volume and future demands from larger ships transiting the Panama Canal will require ports along the Gulf Coast and Atlantic Seaboard to expand port infrastructure as well as perform additional dredging services and;
- Improving economic conditions and increased activity in the petrochemical industry and energy related companies will necessitate capital expenditures, including larger projects, as well as maintenance call-out work.

In late February 2014, we finalized the purchase of approximately 340 acres of land in the upper Houston Ship Channel to be used as a dredge material placement area ("DMPA"). The purchase price was approximately \$22

million in cash, funded through the Company's existing credit facility. The purchase of the DMPA will allow the Company to service private customers along the Houston Ship Channel, deploy some of the Company's dredging assets more efficiently, and generate additional revenue from disposal fees. This purchase provides us with one of the only operating private Dredge Material Placements Areas along the upper end of the Houston Ship Channel and should provide enough capacity to meet the needs of the Company's customers in this area for at least the next decade.

Critical Accounting Policies

The consolidated financial statements contained in this report were prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). The preparation of these financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect both the Company's carrying values of its assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Table of Contents

Although our significant accounting policies are described in more detail in Note 2 of the Notes to Consolidated Financial Statements; we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

We enter into construction contracts principally on the basis of competitive bids. Although the terms of our contracts vary considerably, most are made on a fixed price basis. Revenues from construction contracts are recognized on the percentage-of-completion method. The percentage-of-completion method measures the ratio of costs incurred and accrued to date for each contract to the estimated total costs for each contract at completion. This requires us to prepare on-going estimates of the costs to complete each contract as the project progresses. In preparing these estimates, we make significant judgments and assumptions concerning our significant cost drivers of materials, labor and equipment, and we evaluate contingencies based on possible schedule variances, production delays or other productivity factors.

Actual costs may vary from the costs we estimated. Variations from estimated contract costs along with other risks inherent in fixed price contracts (including but not limited to contract performance) may result in actual revenue and gross profits differing from those we estimated and could result in losses on projects. If a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full when determined, without regard to the percentage of completion. We consider unapproved change orders to be contract variations on which we have customer approval for scope change, but not for price associated with that scope change. These costs are included in the estimated cost to complete the contracts and are expensed as incurred. We recognize revenue equal to cost incurred on unapproved change orders when realization of price approval is probable and the estimated amount is equal to or greater than our cost related to the unapproved change order and the related margin when the change order is formally approved by the customer. Revenue recognized on unapproved change orders is included in contract costs and estimated earnings in excess of billings on uncompleted contracts on the balance sheet. We consider claims to be amounts that we seek or will seek to collect from customers or others for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers on both scope and price changes. Revenue from claims is recognized when agreement is reached with customers as to the value of the claims, which in some instances may not occur until after completion of work under the contract. Costs associated with claims are included in the estimated costs to complete the contracts and are expensed when incurred. Depending on the size of a particular project, variations from estimated project costs could have a significant impact on our operating results for any fiscal quarter or year. We believe our exposure to losses on fixed price contracts is limited by the relatively short duration of the contracts we undertake and our management's experience in estimating contract costs.

Long-Lived Assets

Our long-lived assets consist primarily of equipment used in our operations. Fixed assets are carried at cost and are depreciated over their estimated useful lives, ranging from one to thirty years, using the straight-line method for financial reporting purposes and accelerated methods for tax reporting purposes. The carrying value of our long-lived assets is evaluated periodically based on utilization of the asset and physical condition of the asset, as well as the useful life of the asset to determine if adjustment to the depreciation period or the carrying value is warranted. If events and circumstances such as poor utilization or deteriorated physical condition indicate that the asset(s) should be reviewed for possible impairment, we use projections to assess whether future cash flows, including disposition, on a non-discounted basis related to the tested assets are likely to exceed the recorded carrying amount of those assets to determine if an impairment exists. If we identify a potential impairment, we will estimate the fair value of the asset through known market transactions of similar equipment and other valuation techniques, which could include the use of similar projections on a discounted basis. We will report a loss to the extent that the carrying value of the impaired assets exceeds their fair values.

Goodwill

We have acquired businesses and assets in purchase transactions that resulted in the recognition of goodwill. In accordance with US GAAP, acquired goodwill is not amortized, but is subject to impairment testing at least annually or more frequently if events or circumstances indicate that the asset more likely than not may be impaired.

Goodwill recorded on our Consolidated Balance Sheets is subject to impairment testing at least annually or more frequently if events or circumstances indicate that the asset more likely than not may be impaired. In 2013, based on our continuing consolidation efforts and changes in our internal management structure, we re-evaluated our operating segments and allocation of goodwill, and determined that we have one operating segment and reporting unit, based on our heavy civil marine construction business. Therefore, in 2013, goodwill was tested based on a single reporting unit as of the testing date. We believe this matches the way our business is managed, which is discussed further in Item 1. Business, above. At December 31, 2013, goodwill totaled \$33.8 million.

Table of Contents

We assess the fair value of our reporting unit based on a weighted average of valuations based on market multiples, discounted cash flows, and consideration of our market capitalization. The key assumptions used in the discounted cash flow valuations are discount rates and perpetual growth rates applied to cash flow projections. Also inherent in the discounted cash flow valuation models are past performance, projections and assumptions in current operating plans, and revenue growth rates over the next five years. These assumptions contemplate business, market and overall economic conditions. We also consider assumptions that market participants may use.

As required by the Company's policy, annual impairment assessments and testing of goodwill are performed during the fourth quarter of each year or when circumstances arise that indicate a possible impairment might exist. Based on this testing, we determined that the estimated fair value of our reporting unit exceeded its respective carrying values as of October 31, 2013, goodwill was not impaired, and no events have occurred since that date that would require an interim impairment test. In the future, our estimated fair value could be negatively impacted by extended declines in our stock price, changes in macroeconomic indicators, sustained operating losses, and other factors which may affect our assessment of fair value.

Income Taxes

We account for income taxes using the liability method prescribed by US GAAP. We evaluate valuation allowances for deferred tax assets for which future realization is uncertain. The estimation of required valuation allowance includes estimates of future taxable income. In our assessment of our deferred tax assets at December 31, 2013, we considered that it was more likely than not that all of the deferred tax assets would be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

The Company accounts for uncertain tax positions in accordance with the provisions ASC 740-10, which prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken, or expected to be taken, on our consolidated tax return. We evaluate and record any uncertain tax positions based on the amount that management deems is more likely than not to be sustained upon ultimate settlement with the tax authorities in the tax jurisdictions in which we operate.

Insurance Coverage, Litigation, Claims and Contingencies

We maintain insurance coverage for our business and operations. Insurance related to property, equipment, automobile, general liability and a portion of workers' compensation is provided through traditional policies, subject to a deductible. A portion of our workers' compensation exposure is covered through a mutual association, which is subject to supplemental calls.

The Company maintains two levels of excess loss insurance coverage, totaling \$100 million in excess of primary coverage, which excess loss coverage responds to most of the Company's liability policies. The Company's excess loss coverage responds to most of its policies when a primary limit of \$1 million has been exhausted; provided that the primary limit for Maritime Employer's Liability is \$10 million and the Watercraft Pollution Policy primary limit is \$5 million.

We have elected to retain a portion of losses that may occur through the use of various deductibles, limits and retentions under our insurance programs. Losses on these policies up to the deductible amounts are accrued in our consolidated financial statements based on known claims incurred and an estimate of claims incurred but not yet reported. We derive our accruals from known facts, historical trends and industry averages to determine the best estimate of the ultimate expected loss. Actual claims may vary from our estimate. We include any adjustments to such reserves in our consolidated results of operations in the period in which they become known.

Accounting for Stock Issued to Employees and Others

We measure the cost of equity compensation to our employees based on the estimated grant-date fair value of the award and recognize the expense over the vesting period. We use the Black-Scholes option pricing model to compute the fair value of the awards of options. The Black-Scholes model requires the use of highly subjective assumptions in the computation. Changes in these assumptions can cause significant fluctuations in the fair value of the option award. Our independent directors receive annual grants of stock, which are measured by the mean price of our stock on the day of grant.

Consolidated Results of Operations

Backlog Information

Our contract backlog represents our estimate of the revenues we expect to realize under the portion of contracts remaining to be performed. Given the typical duration of our contracts, which is generally less than a year, our backlog at any point in time usually represents only a portion of the revenue that we expect to realize during a twelve month period. Many projects that make up our backlog may be canceled at any time without penalty; however, we can generally recover actual committed costs

Table of Contents

and profit on work performed up to the date of cancellation. Although we have not been materially adversely affected by contract cancellations or modifications in the past, we may be in the future, especially in economically uncertain periods. Consequently, backlog is not necessarily indicative of future results. In addition to our backlog under contract, we also have a substantial number of projects in negotiation or pending award at any time.

Backlog at December 31, 2013 was \$247.3 million, as compared with \$184.1 million at December 31, 2012, an increase of 34.3% from the prior year period and reflects the success of our pricing strategies, as well as the continued improvement in the economy.

Current Year -- Year ended December 31, 2013 compared with year ended December 31, 2012

	Year ended December 31,		2012		
	2013		Amount	Percent	
	Amount	Percent	Amount	Percent	
	(dollar amounts in thousands)				
Contract revenues	\$354,544	100.0	% \$292,042	100.0	%
Cost of contract revenues	322,540	91.0	277,672	95.0	
Gross profit	32,004	9.0	14,370	5.0	
Selling, general and administrative expenses	32,110	9.1	28,573	9.7	
Operating loss	(106	) (0.1	) (14,203	) (4.7)
Other income (expense)					
Loss on sale of assets	(153	) —	(1,822	) (0.6)
Other income	165	—	227	—	
Interest income	13	—	35	—	
Interest (expense)	(525	) (0.1	) (743	) (0.3)
Other expense, net	(500	) (0.1	) (2,303	) (0.9)
(Loss) income before income taxes	(606	) (0.2	) (16,506	) (5.6)
Income tax benefit	(937	) (0.3	) (4,640	) (1.6)
Net income (loss) attributable to common stockholders	\$331	0.1	% \$(11,866	) (4.0)%

Contract Revenues. Revenues in 2013 increased approximately 21.4% as compared with 2012. Generally, the increase was related to an increased volume of work, including better utilization of assets, as well as the size and scope of projects under contract. Additionally, 2013 revenues benefited from the acceleration of certain project schedules, allowing us to complete some portions of work originally slated for 2014. In 2012, revenues were negatively impacted by gaps between projects, which idled both labor and equipment.

Revenues generated from private customers grew from 51% of our total revenues in 2012 to 57% in 2013. This totaled approximately \$203.5 million generated from private customers, or an increase of 27.6% from the prior year. Gradual improvement in the economy resulted in additional capital spending by private customers, including those in the petrochemical industry.

Contract revenue generated from public sector customers represented 43% of total revenue in the year, or approximately \$151 million, as compared with 49% during 2012. Continued budget uncertainties by the US Army Corps of Engineers have resulted in uneven project lettings.

Gross Profit. Gross profit was \$32.0 million in the twelve month period ended December 31, 2013, an increase of \$17.5 million compared with 2012, primarily related to better utilization of our resources, including equipment, as well as pockets of pricing improvement and the realization of certain costs savings on jobs in progress or nearing

completion. Gross margin in 2013 was 9.0% as compared to 5.0% in the prior year period. As measured by cost, our self-performance rate was 84% during 2013, as compared with 83% in the prior year period. The increase in self-performance is reflective of the scope and requirements of jobs in progress, and reflected a slight decrease in our reliance on third party subcontractors during the year.

Selling, General and Administrative Expense. Selling, general and administrative ("SG&A") expenses were \$32.1 million, an increase of \$3.5 million, or 12.6%, as compared with the prior year period. The increase is due to staffing and overhead resulting from expansion into Alaska in 2012, to the recording of bonuses payable to non-executives, to an increase in our estimates for group health insurance, and to an increase in bad debt related to a single job for a small private customer. However, as a percentage of revenues, SG&A expenses declined as compared with the prior year, from 9.7% to 9.1%, resulting from the increased volume of business during 2013.

Table of Contents

Income Tax (Benefit) Expense. We recorded a tax benefit of \$937,000 in 2013, as compared with a tax benefit of \$4.7 million in 2012. Our effective tax rate in 2013 was 154.6%. The variance from our statutory rate resulted from the reconciliation of our 2012 provision to our tax return, and was due to true-ups of deferred timing differences primarily related to depreciation, amortization of intangible assets, as well as a change in the estimate of our net operating loss carryforwards.

Prior Year—Year Ended December 31, 2012 compared with Year Ended December 31, 2011

The following information is derived from our historical results of operations (dollars in thousands):

	Twelve months ended December 31,					
	2012	Percent	2011	Percent		
Contract revenues	\$292,042	100.0	% \$259,852	100.0	%	
Cost of contract revenues	277,672	95.0	% 249,614	96.1	%	
Gross profit	14,370	5.0	% 10,238	3.9	%	
Selling, general and administrative expenses	28,573	9.7	% 29,519	11.4	%	
Operating loss	(14,203	) (4.7	)% (19,281	) (7.5)%	
Other (expense) income						
Loss on sale of assets, net	(1,822	) (0.6	)% (60) —	%	
Other income	227	—	% 198	0.1	%	
Interest income	35	—	% 31	—	%	
Interest expense	(743	) (0.3	)% (349	) (0.1)%	
Other expense, net	(2,303	) (0.9	)% (180) —	%	
Loss before income taxes	(16,506	) (5.6	)% (19,461	) (7.5)%	
Income tax benefit	(4,640	) (1.6	)% (6,347	) (2.4)%	
Net loss	\$(11,866	) (4.0	)% \$(13,114	) (5.1)%	

Contract Revenues. Revenues in 2012 increased approximately 12.4% as compared with 2011. The increase was due in part to commencement on two projects delayed by permitting issues in 2011, as well as the Company's strategic decision to reduce bid margins in order to increase volume. The Company's projects are generally short in duration, and the same project may not be a source of revenue in the periods under comparison. Therefore, changes in the overall size of contracts, the scope of work within each, and the progress schedules of the mix of jobs between periods may result in revenue fluctuations between periods, but may not signify any long-term trends in the business. The Company views such period-to-period fluctuations as normal in its business. In the second half of 2012, we commenced work on several large projects for private sector customers, which is demonstrated by the shift of the source of revenue generated from the public sector to the private sector, and is reflective of the overall improving economy, as well as continuation of choppy lettings by the US Army Corps of Engineers. Revenue generated from private customers was 51% and 24% in 2012 and 2011, respectively. Contract revenue generated from public sector customers represented 49% of total revenue in 2012, as compared with 76% during 2011. We view shifts between customer sectors to be normal in the marine construction business and demonstrates the Company's ability to procure contracts from various sources.

Gross Profit. Gross profit was \$14.4 million in the twelve month period ended December 31, 2012, an increase of \$4.1 million compared with 2011, primarily related to better utilization of equipment, particularly in the second half of the year, as well as our decision to adjust bid margins to build volume. Gross margin in 2012 was 5.0% as compared to 3.9% in the prior year period, primarily related to the mix of jobs in progress between periods. As measured by cost, our self-performance rate was 83% during 2012, as compared with 85% in the prior year period. The 2%

reduction in our self-performance rate indicates an increase in the percent of work that was subcontracted to third parties, and is reflective of the types of jobs in progress at any point in time.

Selling, General and Administrative Expense. Selling, general and administrative ("SG&A") expenses were \$28.6 million, a decrease of \$0.9 million, or 3.2%, as compared with the prior year period, primarily related to cost containment measures put in place during 2011, and decreases in our estimates related to self-insurance expenses and property taxes.

Income Tax (Benefit) Expense. Our effective tax rate in 2012 was 28.1% and differed from the statutory rate of 35%, due to permanent differences, including incentive stock option expense, and to state income taxes, which reduced our overall tax benefit. Our effective rate for the year ended December 31, 2011 was 32.6%.

Table of Contents

Liquidity and Capital Resources

Our primary liquidity needs are to finance our working capital, fund capital expenditures, and pursue strategic acquisitions. Historically, our source of liquidity has been cash provided by our operating activities and borrowings under our Credit Facility (as defined below).

Our working capital position fluctuates from period to period due to normal increases and decreases in operational activity. At December 31, 2013, our working capital was \$65.5 million, as compared with \$55.8 million at December 31, 2012. As of December 31, 2013, we had cash on hand of \$40.9 million. Availability under our revolving credit facility is subject to a borrowing base, which did not affect our ability to fully utilize our facility. Our borrowing availability at December 31, 2013 was approximately \$34.3 million.

We expect to meet our future internal liquidity and working capital needs, and maintain our equipment fleet through capital expenditure purchases and major repairs, from funds generated by our operating activities for at least the next 12 months. We believe our cash position is adequate for our general business requirements discussed above and to service our debt.

The following table provides information regarding our cash flows and our capital expenditures for the years ending December 31 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012	2011
Cash flows provided by operating activities	\$13,033	\$24,438	\$32,676
Cash flows used in investing activities	\$(12,010)	\$(33,273)	\$(14,053)
Cash flows provided by (used in) financing activities	\$(3,248)	\$12,940	\$(2,818)
Capital expenditures (included in investing activities above)	\$(12,760)	\$(24,647)	\$(14,894)

Operating Activities. During 2013, our operations provided approximately \$13.0 million in net cash inflows, as compared with cash provided by operations in the prior year period of \$24.4 million. The decrease in cash inflows from operations of \$11.5 million between periods was related to:

- net outflow of cash of \$13.8 million between periods related to:
 - an increase in billings to and payments from customers for costs that cannot be billed, or receipt of payments for items such as mobilization at project commencement;
 - receipt of \$14.1 million in cash in 2012 related to the carryback of current operating losses to prior year tax returns; in 2013 the Company received \$2.7 million related to Federal tax carrybacks, and \$0.4 million related to state refunds.
 - changes in other working capital components, including trade payables, which are related to the composition of projects in process, and which resulted in a net outflow of cash between 2013 and 2012 of \$30.3 million
 - changes in non-cash components of approximately \$1.0 million, primarily related to the disposal of assets in the prior year.

These were partially offset by:

- a decrease in our net loss of approximately \$12.2 million;
- a decrease in trade accounts receivable balances, reflecting better collections in the year, as compared with an increase of receivables in the prior year period, which resulted in a net inflow of cash between periods of \$31.4 million;

The decrease in cash provided from operations between 2012 and 2011 was due to a substantial increase in trade accounts receivable balances of \$52.9 million, related to the timing of billings to customers, offset by an increase in trade payables, related to the composition and timing of projects in process at the end of the respective years.

Changes in working capital are normal within our business and are not necessarily indicative of any fundamental change within working capital components or trend in the underlying business.

Investing Activities. Capital asset additions and betterments to our fleet were \$12.7 million in 2013, as compared with \$24.7 million in 2012. Also in 2012, we purchased approximately 18 acres of land and buildings in Tampa, Florida, for a price of approximately \$13.7 million and purchased the assets of West Construction for \$9 million.

Financing Activities. During 2013, we made payments on our term loan, and repaid the outstanding balance on our revolving credit facility. In 2012, we funded the purchase of land and buildings in Tampa, Florida, as well as the purchase of West Construction,

Table of Contents

from our Credit Facility through draws totaling \$18.0 million, of which \$10.9 million was converted to a term loan. We repaid amounts drawn on the revolver, so that \$2.5 million remained on the revolver at the end of 2012, and scheduled installment payments on the term loan component totaled approximately \$780,000 in the year. In 2011, we repurchased approximately 300,000 shares of stock into treasury for approximately \$3.0 million. The share buyback program expired in May 2012. No shares were repurchased in 2012.

Sources of Capital

The Company has a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, and Wells Fargo Securities, LLC.

The Credit Agreement, as amended from time to time, provides for borrowings under a revolving line of credit and swingline loans, an accordion, and a term loan (together, the "Credit Facility"). The Credit Facility is guaranteed by the subsidiaries of the Company, secured by the assets of the Company, including stock held in its subsidiaries, and may be used to finance working capital, repay indebtedness, fund acquisitions, and for other general corporate purposes. Interest is computed based on the designation of the loans, and bear interest at either a prime-based interest rate or a LIBOR-based interest rate. Principal balances drawn under the Credit Facility may be prepaid at any time, in whole or in part, without premium or penalty. Amounts repaid under the revolving line of credit may be re-borrowed. In April 2013, the maturity of its Credit Facility was extended from June 30, 2013 to June 30, 2014.

Provisions of the revolving line of credit and accordion

The Company has a maximum borrowing availability under the revolving line of credit and swingline loans (as defined in the Credit Agreement) of \$35 million, with a \$20 million sublimit for the issuance of letters of credit. An additional \$25 million is available subject to the Lender's discretion.

Revolving loans may be designated as prime rate based loans ("ABR Loans") or Eurodollar Loans, at the Company's request, and may be made in an integral multiple of \$500,000, in the case of an ABR Loan, or \$1 million in the case of a Eurodollar Loan. Swingline loans may only be designated as ABR Loans, and may be made in amounts equal to integral multiples of \$100,000. The Company may convert, change or modify such designations from time to time.

Borrowings are subject to a borrowing base, which is calculated as the sum of 80% of eligible accounts receivable, plus 90% of adjusted cash balances, as defined in the Credit Agreement. At December 31, 2013, our borrowing base reflected no limitation in borrowing availability.

During 2013, the Company repaid the outstanding revolver balance of \$2.5 million. Outstanding letters of credit, which totaled \$742,000 at December 31, 2013, reduced our maximum borrowing availability to approximately \$34.3 million.

Provisions of the term loan

At December 31, 2013, the term loan component of the Credit Facility totaled \$8.6 million and is secured by specific dredge assets of the Company. Principal payments on the term loan, in the amount of \$389,000 are due quarterly.

Financial covenants

Restrictive financial covenants under the Credit Facility include:

A Tangible Net Worth covenant, with the minimum Tangible Net Worth requirement of a base amount of \$180 million as of June 30, 2012, plus 50% of consolidated quarterly net income (if positive), plus 75% of all issuances of equity interests by Borrower during that quarter; and

A Profitability Covenant such that the Company shall not sustain a consolidated net loss for two consecutive fiscal quarters, commencing with the quarter ending September 30, 2012.

In addition, the Credit Facility contains events of default that are usual and customary for similar transactions, including non-payment of principal, interest or fees; inaccuracy of representations and warranties; violation of covenants; bankruptcy and insolvency events; and events constituting a change of control.

The Company is subject to a commitment fee, at a current rate of 0.25% of the unused portion of the maximum available to borrow under the Credit Facility. The commitment fee is payable quarterly in arrears.

Interest at December 31, 2013, was based on a LIBOR-option interest rate of 2.19%. For the year ended December 31, 2013, the weighted average interest rate was 2.48%. At December 31, 2013, the Company had letters of credit outstanding of approximately \$742,000.

Table of Contents

At December 31, 2013, the Company was in compliance with its financial covenants and expects to be in compliance for at least the next 12 months.

The Company expects to meet its future internal liquidity and working capital needs, and maintain its equipment fleet through capital expenditure purchases and major repairs, from funds generated by its operating activities for at least the next 12 months. We believe our cash position is adequate for our general business requirements and to service our debt.

Bonding Capacity

We are generally required to provide various types of surety bonds that provide additional security to our customers for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends on our capitalization, working capital, past performance and external factors, including the capacity of the overall surety market. At December 31, 2013, we believe our capacity under our current bonding arrangement was in excess of \$400 million, of which we had approximately \$110 million in surety bonds outstanding. We believe our strong balance sheet and working capital position will allow us to continue to access our bonding capacity.

Effect of Inflation

We are subject to the effects of inflation through increases in the cost of raw materials, and other items such as fuel. Because the typical duration of a project is between three to nine months we do not believe inflation has had a material impact on our operations.

Off Balance Sheet Arrangements

We currently have no off balance sheet arrangements, other than operating leases to which we are a party, and which are discussed above under “Bonding Capacity” and “Sources of Capital” and which arise in the normal course of business. These arrangements are not reasonably likely to have an effect on our financial condition, or results of operations that is material to investors. See Note 20 – Commitments and Contingencies of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

Contractual Obligations

The following table sets forth information about our contractual obligations and commercial commitments as of December 31, 2013:

	Total (in thousands)	Payment Due by Period			
		< 1 year	1-3 years	3-5 years	> 5 years
Long-term debt obligations	\$8,564	\$8,564	\$—	\$—	\$—
Operating lease obligations	5,456	3,225	2,190	41	—
Purchase obligations (1)	—	—	—	—	—
Total	\$14,020	\$11,789	\$2,190	\$41	\$—

(1) Commitments pursuant to other purchase orders and subcontracts related to construction contracts are not included since such amounts are expected to be funded under contract billings.

To manage risks of changes in the material prices and subcontracting costs used in tendering bids for construction contracts, we obtain firm quotations from our suppliers and subcontractors before submitting a bid. These quotations do not include any quantity guarantees, and we have no obligation for materials or subcontract services beyond those required to complete the contracts that we are awarded for which quotations have been provided.

Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issues accounting standards (each, an "ASU") from time to time to its Accounting Standards Codification ("ASC"), which is the primary source of U.S. GAAP. The Company regularly monitors ASUs as they are issued and considers applicability to its business. All ASUs are adopted by their respective due dates and in the manner prescribed by the FASB. The following are those recently issued ASUs most likely to affect the presentation of the Company's consolidated financial statements:

Table of Contents

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This update provides guidance for the presentation of an unrecognized tax benefit when, among other things, a net operating loss carryforward exists. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

The new guidance will be effective for the Company beginning January 1, 2014. Earlier adoption is permitted. The Company believes that the new guidance will not have any material impact on the Company's financial statements upon adoption.

During the periods presented in these financial statements, the Company implemented other new accounting pronouncements other than those noted above that are discussed in the notes where applicable.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not enter into derivative financial instruments for trading, speculation or other purposes that would expose the Company to market risk. In the normal course of business, our results of operations are subject to risks related to fluctuation in commodity prices and fluctuations in interest rates.

Commodity price risk

We are subject to fluctuations in commodity prices for concrete, steel products and fuel. Although we attempt to secure firm quotes from our suppliers, we generally do not hedge against increases in prices for concrete, steel and fuel. Commodity price risks may have an impact on our results of operations due to the fixed-price nature of many of our contracts, although the short-term duration of our projects may allow us to include price increases in the costs of our bids.

Interest rate risk

At December 31, 2013, we had approximately \$8.6 million outstanding on our Credit Facility. Our objectives in managing interest rate risk are to lower our overall borrowing costs and limit interest rate changes on our earnings and cash flows. To achieve this, we closely monitor changes in interest rates and we utilize cash from operations to reduce our debt position.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is submitted as a separate section beginning on page F-1 of this Annual Report on Form 10-K and is incorporated herein by reference.

Additionally, a two-year Summary of Selected Quarterly Financial Data (unaudited) is included in "Selected Quarterly Financial Data" under Item 6 - Selected Financial Data.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management,

35

Table of Contents

including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our principal executive and financial officers have concluded that our disclosure controls and procedures were effective with reasonable assurance as of the end of such period.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. 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. 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 our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. 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. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria described in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2013.

Grant Thornton LLP, an independent registered public accounting firm who audited the consolidated financial statements included in this Annual Report, has issued a report on our internal control over financial reporting dated March 27, 2014 and expressed an unqualified opinion on the effectiveness of our internal control over the financial reporting as of December 31, 2013.

Changes in Internal Control

There were no changes in the Company's internal control over financial reporting during the Company's quarter ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors, Executive Officers, Promoters and Control Persons

The information required by Paragraph (a), and Paragraphs (c) through (g) of Item 401 of Regulation S-K (except for information required by Paragraph (e) of that Item to the extent the required information pertains to our executive officers) and Item 405 of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

36

Table of Contents

The following table presents the information required by Paragraph (b) of Item 401 of Regulation S-K.

Name	Age	Position with the Company	Year Joined the Registrant
Richard L. Daerr, Jr.	69	Chairman of the Board	2007
J. Michael Pearson	66	Chief Executive Officer and Director*	2006
Thomas N. Amonett	70	Director	2007
Austin J. Shanfelter	57	Director	2007
Gene Stoever	76	Director	2007
Mark R. Stauffer	51	President*	1999
James L. Rose	49	Executive Vice President, Operations	2005
Peter R. Buchler	68	Executive Vice President, Chief Administrative Officer, Chief Compliance Officer, General Counsel and Secretary	2009
Christopher J. DeAlmeida	36	Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer*	2007

*changes in titles effective February 26, 2014

Code of Ethics

We have adopted a code of ethics for our chief executive, chief financial and principal accounting officers; a code of business conduct and ethics for members of our Board of Directors; and corporate governance guidelines. The full text of the codes of ethics and corporate governance guidelines is available at our website www.orionmarinegroup.com. Although we have never done so, in the event we make any amendment to, or grant any waiver from, a provision of the code of ethics that applies to the principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable Commission rules, we will disclose such amendment or waiver and the reasons therefore on our website. We will provide any person without charge a copy of any of the aforementioned codes of ethics upon receipt of a written request. Requests should be addressed to: Orion Marine Group, Inc. 12000 Aerospace Suite 300, Houston, Texas 77034, Attention: Corporate Secretary.

Corporate Governance

The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 403 of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents certain information about our equity compensation plans as of December 31, 2013:

Table of Contents

Plan category	Column A	Column B	Column C
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A)
Equity compensation plans approved by shareholders	2,072,759	\$9.49	1,593,267
Equity compensation plans not approved by shareholders	—	—	—
Total	2,072,759	\$9.49	1,593,267

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Report:

1. Financial Statements

The Company's Consolidated Financial Statements at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 and the notes thereto, together with the Report of the Independent Registered Public Accounting Firm on those Consolidated Financial Statements are hereby filed as part of this Report, beginning on page F-1.

2. Financial Statement Schedule

The following financial statement schedule of the Company for each of the three years in the period ended December 31, 2013 is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of the Company.

Schedule II – Schedule of Valuation and Qualifying Accounts

3. Exhibits

Table of Contents

Exhibit Number	Description
2 .1	Asset Purchase Agreement dated February 28, 2008, by and among OMGI Sub, LLC, Orion Marine Group, Inc., Subaqueous Services, Inc. and Lance Young (incorporated herein by reference to Exhibit 2.01 to the Company's Current Report on Form 8-K filed March 4, 2008 (File No. 001-33891)).
2 .2	Purchase Agreement dated January 28, 2010 by and among LaQuay Holdings., Inc and Seagull Services Inc. (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed February 2, 2010 (File No. 001-33891)).
3 .1	Amended and Restated Certificate of Incorporation of Orion Marine Group, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
3 .2	Amended and Restated Bylaws of Orion Marine Group, Inc. (incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
4 .1	Registration Rights Agreement between Friedman, Billings, Ramsey & Co., Inc. and Orion Marine Group, Inc. dated May 17, 2008 (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
† 10 .1	Form of Indemnity Agreement for Directors and Certain Officers dated November 24, 2008 (incorporated herein by reference to Exhibit 1.01 to the Company's Current Report on Form 8-K filed on November 25, 2008 (File No. 001-33891)).
10 .2	Credit Agreement dated as of June 25, 2012 between Orion Marine Group, Inc. the lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent; Wells Fargo Securities, LLC as Sole Lead Arranger and Bookrunner (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed August 3, 2012 (File No. 001-33891)).
10 .3	Purchase/Placement Agreement, dated May 9, 2007, between Orion Marine Group, Inc. and Friedman, Billings, Ramsey & Co., Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
† 10 .4	2005 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
† 10 .5	Form of Stock Option Agreement Under the 2005 Stock Incentive Plan & Notice of Grant of Stock Option (incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
† 10 .6	Form of Restricted Stock Agreement Under the 2005 Stock Incentive Plan & Notice of Grant of Restricted Stock (incorporated herein by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
† 10 .7	Orion Marine Group, Inc. Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
† 10 .8	Form of Stock Option Agreement Under the 2007 Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
† 10 .9	Form of Restricted Stock Agreement under the 2007 Long Term Incentive Plan and Notice of Grant of Restricted Stock (incorporated herein by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).
† 10 .10	Orion Marine Group, Inc. 2011 Long Term Incentive Plan (incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement filed April 4, 2011 (File No. 001-33891)).
† 10.11	Form of Stock Option Agreement Under the 2011 Long Term Incentive Plan.

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- † 10.12 Form of Restricted Stock Agreement and Notice of Grant of Restricted Stock under the 2011 Long Term Incentive Plan.
- † 10.13 Executive Incentive Plan (incorporated herein by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 001-33891)).
- † 10.14 Subsidiary Incentive Plan (incorporated herein by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 001-33891)).

39

Table of Contents

† 10 .15	Employment Agreement, dated December 4, 2009, by and between Orion Marine Group, Inc. and J. Michael Pearson (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 10, 2009), as amended by the Consolidated Amendment, dated February 26, 2014 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed February 28, 2014) (File No. 001-33891).
† 10 .16	Employment Agreement, dated January 1, 2011, by and between Orion Marine Group, Inc. and Mark Stauffer (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 filed August 5, 2011) as amended by the Consolidated Amendment, dated February 26, 2014 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on February 28, 2014) (File No. 001-33891).
† *10 .17	Employment Agreement, dated December 11, 2009, by and between Orion Marine Group, Inc. and James L. Rose (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated December 17, 2009 (File No. 001-33891)), as amended by (1) the First Amendment to Employment Agreement, dated March 30, 2011 (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 filed August 5, 2011) and (2) the Second Amendment to the Employment Agreement dated March 11, 2013 (filed herewith) (File No. 001-33891)).
†*10 .18	Employment Agreement, dated December 11, 2009, by and between Orion Marine Group, Inc. and Peter R. Buchler (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 17, 2009 (File No. 001-33891)), as amended by (1) the First Amendment to Employment Agreement, dated June 30, 2011, (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 filed August 5, 2011) and (2) the Second Amendment to the Employment Agreement dated June 26, 2013 (filed herewith) (File No. 001-33891)).
† 10 .19	Schedule of Changes to Compensation of Non-employee Directors, effective for 2009 (incorporated herein by reference to Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed August 6, 2009 (File No. 001-33891)).
† 10 .20	Amended and Restated Employment Agreement, dated February 26, 2014, by and between Orion Marine Group, Inc. and Christopher J. DeAlmeida (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed February 28, 2014) (File No. 001-33891)
* 21 .1	List of Subsidiaries.
* 23 .1	Consent of Independent Registered Public Accounting Firm.
24 .1	Power of Attorney (included on signature page of this filing).
* 31 .1	Certification of CEO pursuant to Section 302.
* 31 .2	Certification of CFO pursuant to Section 302.
* 32 .1	Certification of CEO and CFO pursuant to Section 906.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

** Incorporated by reference to the Company's report on Form 8K filed with the SEC on March 4, 2008

† Management contract or compensatory plan or arrangement

†(b) Financial Statement Schedules

Table of Contents

SIGNATURES

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

ORION MARINE GROUP, INC.

March 27, 2014

By: /s/ J. Michael Pearson
 J. Michael Pearson
 Chief Executive Officer and Director

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

Signature	Title	Date
/s/ J. Michael Pearson J. Michael Pearson	Chief Executive Officer and Director	March 27, 2014
/s/ Mark R. Stauffer Mark R. Stauffer	President	March 27, 2014
/s/ Christopher J. DeAlmeida Christopher J. DeAlmeida	Chief Financial Officer Chief Accounting Officer	March 27, 2014
/s/ Richard L. Daerr, Jr. Richard L. Daerr, Jr.	Chairman of the Board	March 27, 2014
/s/ Thomas N. Amonett Thomas N. Amonett	Director	March 27, 2014
/s/ Austin J. Shanfelter Austin J. Shanfelter	Director	March 27, 2014
/s/ Gene Stoever Gene Stoever	Director	March 27, 2014

Table of Contents

ORION MARINE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

December 31, 2013

F-1

Table of Contents

ORION MARINE GROUP, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

Report of Independent Registered Public Accounting Firm F-3

Consolidated Balance Sheets at December 31, 2013 and 2012 F-5

Consolidated Statements of Operations for the Years Ended December 31, 2013, 2012 and 2011 F-6

Consolidated Statement of Stockholders' Equity for the Year Ended December 31, 2013 F-7

Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011 F-8

Notes to Consolidated Financial Statements F-9

F-2

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Orion Marine Group, Inc.

We have audited the accompanying consolidated balance sheets of Orion Marine Group, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orion Marine Group, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 27, 2014 expressed an unqualified opinion on the effectiveness of internal control over financial reporting.

/s/ Grant Thornton LLP
Houston, Texas
March 27, 2014

F-3

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Orion Marine Group, Inc.

We have audited the internal control over financial reporting of Orion Marine Group, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2013, based on criteria established in the 1992 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013, and our report dated March 27, 2014 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Houston, Texas

March 27, 2014

F-4

Table of Contents

Orion Marine Group, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2013 and 2012
(In Thousands, Except Share and Per Share Information)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$40,859	\$43,084
Accounts receivable:		
Trade, net of allowance of \$0	39,110	45,072
Retainage	10,427	8,213
Other	2,040	1,712
Income taxes receivable	333	3,110
Note receivable	—	46
Inventory	3,520	4,354
Deferred tax asset	726	37
Costs and estimated earnings in excess of billings on uncompleted contracts	24,856	19,245
Asset held for sale	417	920
Prepaid expenses and other	2,990	2,857
Total current assets	125,278	128,650
Property and equipment, net	141,923	150,671
Accounts receivable, long-term	—	1,410
Inventory, non-current	4,772	915
Goodwill	33,798	33,798
Intangible assets, net of amortization	197	627
Other assets	240	225
Total assets	\$306,208	\$316,296
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current debt	\$8,564	\$12,621
Accounts payable:		
Trade	23,105	28,744
Retainage	1,667	2,433
Accrued liabilities	11,415	12,456
Taxes payable	459	252
Billings in excess of costs and estimated earnings on uncompleted contracts	14,595	16,369
Total current liabilities	59,805	72,875
Other long-term liabilities	526	564
Deferred income taxes	17,978	18,180
Deferred revenue	87	146
Total liabilities	78,396	91,765
Commitments and contingencies		
Stockholders' equity:		
Preferred stock -- \$0.01 par value, 10,000,000 authorized, none issued	—	—
Common stock -- \$0.01 par value, 50,000,000 authorized, 27,710,775 and 27,530,220 issued; 27,393,045 and 27,212,489 outstanding at December 31, 2013 and December 31, 2012, respectively	278	275
Treasury stock, 317,731 shares, at cost	(3,003)	(3,003)

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Additional paid-in capital	163,970	160,973
Retained earnings	66,567	66,236
Equity attributable to common stockholders	227,812	224,481
Noncontrolling interest	—	50
Total stockholders' equity	227,812	224,531
Total liabilities and stockholders' equity	\$306,208	\$316,296

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

F-5

Table of Contents

Orion Marine Group, Inc. and Subsidiaries
 Consolidated Statements of Operations
 (In Thousands, Except Share and Per Share Information)

	Year ended December 31,			
	2013	2012	2011	
Contract revenues	\$354,544	\$292,042	\$259,852	
Costs of contract revenues	322,540	277,672	249,614	
Gross profit	32,004	14,370	10,238	
Selling, general and administrative expenses	32,110	28,573	29,519	
Operating loss	(106) (14,203) (19,281)
Other income (expense):				
Loss from sale of assets, net	(153) (1,822) (60)
Other income	165	227	198	
Interest income	13	35	31	
Interest expense	(525) (743) (349)
Other expense, net	(500) (2,303) (180)
Loss before income taxes	(606) (16,506) (19,461)
Income tax benefit	(937) (4,640) (6,347)
Net income (loss)	\$331	\$(11,866) \$(13,114)
Net income/(loss) attributable to noncontrolling interest	—	—	—	
Net income(loss)attributable to Orion common stockholders	\$331	\$(11,866) \$(13,114)
Basic income (loss)per share	\$0.01	\$(0.44) \$(0.49)
Diluted income (loss)per share	\$0.01	\$(0.44) \$(0.49)
Shares used to compute income (loss)per share				
Basic	27,296,732	27,138,927	26,990,059	
Diluted	27,613,054	27,138,927	26,990,059	

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

Table of Contents

Orion Marine Group, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
(In Thousands, Except Share Information)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Non-controlling	
	Shares	Amount	Shares	Amount			Interest	Total
Balance, January 1, 2011	27,017,165	\$270	(12,231)	\$—	\$154,667	\$91,919	\$ —	\$246,856
Prior period adjustment (Note 1)	—	—	—	—	—	(703)	)—	(703)
Balance, January 1, 2011, as revised	27,017,165	\$270	(12,231)	)—	\$154,667	\$91,216	\$ —	\$246,153
Stock-based compensation	—	—	—	—	2,712	—	—	2,712
Exercise of stock options	32,124	—	—	—	185	—	—	185
Issuance of restricted stock	400,417	4	—	—	(4))—	—	—
Forfeiture of restricted stock	(12,784))—	—	—	—	—	—	—
Purchase of stock into treasury	—	—	(305,500)	(3,003)	)—	—	—	(3,003)
Net loss	—	—	—	—	—	(13,114)	)—	(13,114)
Balance, December 31, 2011	27,436,922	\$274	(317,731)	(3,003)	)\$157,560	\$78,102	\$ —	\$232,933
Stock-based compensation	—	—	—	—	3,115	—	—	3,115
Exercise of stock options	56,658	1	—	—	298	—	—	299
Issue restricted stock	36,640	—	—	—	—	—	—	—
Noncontrolling interest, acquired	—	—	—	—	—	—	16	16
Contributions from noncontrolling interest	—	—	—	—	—	—	34	34
Net loss	—	—	—	—	—	(11,866)	)—	(11,866)
Balance, December 31, 2012	27,530,220	\$275	(317,731)	)\$(3,003)	)\$160,973	\$66,236	\$ 50	\$224,531
Stock-based compensation	—	—	—	—	2,141	—	—	\$2,141
Exercise of stock options	155,731	3	—	—	856	—	—	859
Issue restricted stock	24,824	—	—	—	—	—	—	—
Disposition of noncontrolling interest	—	—	—	—	—	—	(50)	) (50)
Net income	—	—	—	—	—	331	—	331
Balance, December 31, 2013	27,710,775	\$278	(317,731)	)\$(3,003)	)\$163,970	\$66,567	\$ —	\$227,812

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

F-7

Table of Contents

Orion Marine Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In Thousands)

	Year ended December 31,		
	2013	2012	2011
Cash flows from operating activities			
Net income (loss)	\$331	\$(11,866)	\$(13,114)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	21,538	21,570	22,092
Deferred financing cost amortization	52	103	132
Bad debt expense	259	12	255
Deferred income taxes	(239)	(1,646)	5,192
Stock-based compensation	2,141	3,115	2,712
Loss on sale of property and equipment	153	1,822	60
Change in contingent liability related to earnout	(271)	—	—
Change in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	4,571	(26,966)	26,135
Income tax receivable	2,125	10,888	(6,331)
Inventory	(3,024)	(497)	(370)
Note receivable	46	5	39
Prepaid expenses and other	(200)	(497)	(377)
Costs and estimated earnings in excess of billings on uncompleted contracts	(5,611)	(4,133)	10,991
Accounts payable	(6,405)	18,826	(12,970)
Accrued liabilities	(808)	2,803	(2,728)
Income tax payable	207	252	(262)
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,774)	10,704	1,277
Deferred revenue	(58)	(57)	(57)
Net cash provided by operating activities	13,033	24,438	32,676
Cash flows from investing activities:			
Proceeds from sale of property and equipment	750	374	841
Purchase of property and equipment	(12,760)	(24,647)	(14,894)
Acquisition of business in Alaska	—	(9,000)	—
Net cash used in investing activities	(12,010)	(33,273)	(14,053)
Cash flows from financing activities:			
Borrowings from Credit Facility	—	18,000	—
Payments made on borrowings from Credit Facility	(4,057)	(5,379)	—
Contributions from noncontrolling interest	(50)	34	—
Exercise of stock options	859	298	185
Excess tax benefit from stock option exercise	—	—	—
Increase in loan costs	—	(13)	—
Purchase of shares into treasury	—	—	(3,003)
Net cash (used in) provided by financing activities	(3,248)	12,940	(2,818)
Net change in cash and cash equivalents	(2,225)	4,105	15,805
Cash and cash equivalents at beginning of period	43,084	38,979	23,174
Cash and cash equivalents at end of period	\$40,859	\$43,084	\$38,979
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$483	\$697	\$212

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Taxes (net of refunds)	\$ (3,045)	\$ (14,039)	\$ (4,948)
Supplemental disclosure of non cash transaction:			
Fair value of earnout from acquisition of business in Alaska	\$ —	\$ 271	\$ —
The accompanying notes are an integral part of these consolidated financial statements			

F-8

Table of Contents

Orion Marine Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Years Ended December 31, 2013, 2012 and 2011
(Tabular Amounts in thousands, Except for Share and per Share Amounts)

1. Description of Business and Basis of Presentation

Description of Business

Orion Marine Group, Inc. and its subsidiaries and affiliates (hereafter collectively referred to as “Orion” or the “Company”) provide a broad range of heavy civil marine construction services on, over and under the water along the Gulf Coast, the Atlantic Seaboard, the West Coast, Alaska, Canada and in the Caribbean Basin. Our heavy civil marine projects include marine transportation facilities; bridges and causeways; marine pipelines; mechanical and hydraulic dredging and specialty projects. We are headquartered in Houston, Texas.

Although we describe our business in this report in terms of the services we provide, our base of customers and the geographic areas in which we operate, we have concluded that our operations may be aggregated into a single reportable segment pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 280 – Segment Reporting. In making this determination, we considered the various economic characteristics of our operations, including: the nature of the services we provide; the nature of our internal processes for the production of our services; the methods used to provide our services to our customers; the types of customers we have; the nature of the regulatory environment in which we operate; and our assessment of our future prospects.

We provide heavy civil marine construction services through projects that are obtained primarily by a competitive bid or negotiated contract process. Our projects have similar cost structures, including labor, equipment, materials and subcontractors. Our workforce is standard across the services we provide, including pile drivers, equipment operators, carpenters, welders, barge crews, dredge crews, supervisors and project managers. This allows our core resources of assets and individuals to be deployed interchangeably to the various types of the services we provide. For example, crews and equipment deployed to a dock construction job may be redeployed to a bridge construction job and to a marsh creation job after that. This allows us to use our resources based on availability across our business. Similarly, basic materials such as concrete and steel are used in our projects, which provides us with similar costs across our operations, especially through the use of national accounts with vendors. Additionally, we self-perform most of our projects internally, which limits our use of subcontractors to those providing similar services with similar cost structures.

We execute our projects in a similar fashion with a centralized estimating, project controls and management group, and the risks and rewards of project performance are not affected by the location of the specific project. Because our core resources may be deployed to various types of marine construction projects, we have developed a centralized philosophy for operating our business. We utilize the same technology across our business, including estimating and cost control applications.

Our methods used to provide our services is similar. Our assets and labor force may be interchangeable within the various types of marine construction projects. This provides us with the flexibility to manage our business as one operating unit deploying resources based on availability across our business.

We have the same customers with similar funding drivers and market demands across our entire business. Our business wide customers include the US Army Corps of Engineers, US Navy, US Coast Guard, state transportation departments, local port authorities and private customers such as petrochemical terminal operators, private terminal operators and cruise line facilities. We consider funding availability to be similar across our business, particularly in

the form of governmental budgeting (federal, state and local) and capital expenditure and maintenance and repair spending by private customers.

Across our business, we comply with macro environmental regulatory environments driven through Federal agencies such as the US Army Corps of Engineers, US Fish and Wildlife Service, US Environmental Protection Agency and the US Occupational Safety and Health Administration, as well as others.

Our business is primarily driven by macro-economic considerations including increases in import/export traffic, development of energy related infrastructure, cruise line expansion and operations, marine bridge infrastructure development, waterway pipeline crossings and the maintenance of our nation's waterways. These macro drivers are the key catalyst for future prospects for work and are similar across our entire business.

F-9

Table of Contents

Furthermore, the types of information and internal reports used by our chief operating decision maker (the “CODM”) to monitor performance, evaluate results of operations, allocate resources, and manage the business support a single reportable segment. Accordingly, based on these similarities, we have concluded that our operations represent one reportable segment for purposes of the disclosures included in this Annual Report on Form 10-K.

Basis of Presentation

These consolidated financial statements include the accounts of the parent company, Orion Marine Group, Inc. and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

Correction of Immaterial Errors

In 2013, the Company corrected immaterial errors related to periods prior to those presented in our consolidated financial statements for the year ended December 31, 2013 and 2012 and for the three years in the period ended December 31, 2013. These revisions corrected the amount of goodwill recorded from an asset purchase in 2008 in the amount of \$0.2 million, and also corrected an error related to the amortization of short-term intangible assets acquired in 2010, in the amount of \$0.8 million. These errors had the impact of overstating both goodwill and net income in the prior year periods. The Company assessed the impact of these errors on its previously issued interim and annual consolidated financial statements in accordance with the SEC's Staff Accounting Bulletin ("SAB") No. 99 and concluded that the errors were not material to any of the interim or annual periods. As a result, in accordance with SAB No. 108, the Company has corrected the accompanying consolidated financial statements as follows:

Decrease in Goodwill	\$1,019
Decrease in Deferred Tax Liabilities	\$316
Decrease in Retained Earnings at January 1, 2011	\$703

All amounts related to balances in 2011 and 2012 that are affected by these adjustments have been revised in this Annual Report on Form 10-K in the Company's Consolidated Balance Sheets and Statement of Stockholders' Equity from those amounts previously reported. This revision had no impact on the Company's Consolidated Statements of Operations or Consolidated Statement of Cash Flows for any periods presented.

2. Summary of Significant Accounting Principles

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“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 the reported amounts of revenues and expenses during the reporting period. Management’s estimates, judgments and assumptions are continually evaluated based on available information and experience; however, actual amounts could differ from those estimates.

On an ongoing basis, the Company evaluates the significant accounting policies used to prepare its condensed consolidated financial statements, including, but not limited to, those related to:

- Revenue recognition from construction contracts;
- Allowance for doubtful accounts;
- Testing of goodwill and other long-lived assets for possible impairment;

Income taxes;
Self-insurance; and
Stock based compensation.

Revenue Recognition

The Company records revenue on construction contracts for financial statement purposes on the percentage-of-completion method, measured by the percentage of contract costs incurred to date to total estimated costs for each contract. This method is used because management considers contract costs incurred to be the best available measure of progress on these contracts. Contract revenue reflects the original contract price adjusted for agreed upon change orders. Contract costs include all direct costs, such as material and labor, and those indirect costs related to contract performance such as payroll taxes and insurance. General and administrative

F-10

Table of Contents

costs are charged to expense as incurred. Unapproved claims are recognized as an increase in contract revenue only when the collection is deemed probable and if the amount can be reasonably estimated for purposes of calculating total profit or loss on long-term contracts. Incentive fees, if available, are billed to the customer based on the terms and conditions of the contract. The Company records revenue and the unbilled receivable for claims to the extent of costs incurred and to the extent we believe related collection is probable and includes no profit on claims recorded. Changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined, without regard to the percentage of completion. Revenue is recorded net of any sales taxes collected and paid on behalf of the customer, if applicable.

The current asset “costs and estimated earnings in excess of billings on uncompleted contracts” represents revenues recognized in excess of amounts billed, which management believes will be billed and collected within one year of the completion of the contract. The liability “billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of revenues recognized.

The Company’s projects are typically short in duration, and usually span a period of less than one year. Historically, we have not combined or segmented contracts.

Classification of Current Assets and Liabilities

The Company includes in current assets and liabilities amounts realizable and payable in the normal course of contract completion.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At times, cash held by financial institutions may exceed federally insured limits. The Company has not historically sustained losses on our cash balances in excess of federally insured limits. Cash equivalents at December 31, 2013 and December 31, 2012 consisted primarily of money market mutual funds and overnight bank deposits.

Foreign Currencies

Historically, the Company’s exposure to foreign currency fluctuations has not been material and has been limited to temporary field accounts, located in countries where the Company performs work, which amounts were insignificant in either 2013 or 2012.

Risk Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of cash and cash equivalents and accounts receivable.

The Company depends on its ability to continue to obtain federal, state and local governmental contracts, and indirectly, on the amount of funding available to these agencies for new and current governmental projects. Therefore, a substantial portion of the Company’s operations may be dependent upon the level and timing of government funding. Statutory mechanics liens provide the Company high priority in the event of lien foreclosures following financial difficulties of private owners, thus minimizing credit risk with private customers.

Accounts Receivable

Accounts receivable are stated at the historical carrying value, less write-offs and allowances for doubtful accounts. The Company has significant investments in billed and unbilled receivables as of December 31, 2013 and 2012. Billed receivables represent amounts billed upon the completion of small contracts and progress billings on large contracts in accordance with contract terms and milestones. Unbilled receivables on fixed-price contracts, which are included in costs in excess of billings, arise as revenues are recognized under the percentage-of-completion method. Unbilled amounts on cost-reimbursement contracts represent recoverable costs and accrued profits not yet billed. Revenue associated with these billings is recorded net of any sales tax, if applicable. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. In establishing an allowance for doubtful accounts, the Company evaluates its contract receivables and costs in excess of billings and thoroughly reviews historical collection experience, the financial condition of its customers, billing disputes and other factors. The Company writes off uncollectible accounts receivable against the allowance for doubtful accounts if it is determined that the amounts will not be collected or if a settlement is reached for an amount that is less than the carrying value. As of December 31, 2013 and December 31, 2012, the Company had not recorded an allowance for doubtful accounts.

F-11

Table of Contents

Balances billed to customers but not paid pursuant to retainage provisions in construction contracts generally become payable upon contract completion and acceptance by the owner. Retention at December 31, 2013 totaled \$10.4 million, of which \$3.0 million is expected to be collected beyond 2014. Retention at December 31, 2012 totaled \$8.2 million.

At December 31, 2012, the Company had approximately \$1.4 million in long term receivables, which related to items that are due to the Company for work performed under contract, but were not expected to be collected within one year at that time. In 2013, management determined that these amounts should be collected within one year of the balance sheet date, and recorded the \$1.4 million as a current receivable. Management continues to evaluate and assess these items for collectibility. At this time, no valuation allowance has been recorded.

The Company negotiates change orders and claims with its customers. Unsuccessful negotiations of claims could result in a change to contract revenue that is less than its carrying value, which could result in the recording of a loss. Successful claims negotiations could result in the recovery of previously recorded losses. Significant losses on receivables could adversely affect the Company's financial position, results of operations and overall liquidity.

Advertising Costs

The Company primarily obtains contracts through the open bid process, and therefore advertising costs are not a significant component of expense. Advertising costs are expensed as incurred. Advertising expenses totaled \$38,000, \$57,000, and \$30,000 in 2013, 2012 and 2011, respectively.

Environmental Costs

Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event the costs are capitalized. Liabilities, if any, are recognized when the expenditure is considered probable and the amount can be reasonably estimated.

Fair Value Measurements

We evaluate and present certain amounts included in the accompanying consolidated financial statements at "fair value" in accordance with GAAP, which requires us to base our estimates on assumptions market participants, in an orderly transaction, would use to price an asset or liability, and to establish a hierarchy that prioritizes the information used to determine fair value. In measuring fair value, we use the following inputs in the order of priority indicated:

Level I – Quoted prices in active markets for identical, unrestricted assets or liabilities.

Level II – Observable inputs other than Level I prices, such as (i) quoted prices for similar assets or liabilities; (ii) quoted prices in markets that have insufficient volume or infrequent transactions; and (iii) inputs that are derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III – Unobservable inputs to the valuation methodology that are significant to the fair value measurement.

We generally apply fair value valuation techniques on a non-recurring basis associated with (1) valuing assets and liabilities acquired in connection with business combinations and other transactions; (2) valuing potential impairment loss related to long-lived assets; and (3) valuing potential impairment loss related to goodwill and indefinite-lived intangible assets.

Inventory

Inventory consists of parts and small equipment held for use in the ordinary course of business and is valued at the lower of cost or market using historical average cost. Where shipping and handling costs are incurred by us, these charges are included in inventory and charged to cost of contract revenue upon use. Our non-current inventory consists of spare parts (such as engines, cutters and gears) that require special order or long-lead times for manufacture or fabrication, but must be kept on hand to reduce downtime on a project.

Property and Equipment

Property and equipment are recorded at cost. Ordinary maintenance and repairs that do not improve or extend the useful life of the asset are expensed as incurred. Major renewals and betterments of equipment are capitalized and depreciated generally over three to seven years until the next scheduled maintenance.

F-12

Table of Contents

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in results of operations for the respective period. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets for financial statement purposes, as follows:

Automobiles and trucks	3 to 5 years
Buildings and improvements	5 to 30 years
Construction equipment	3 to 15 years
Vessels and dredges	1 to 15 years
Office equipment	1 to 5 years

The Company generally uses accelerated depreciation methods for tax purposes where appropriate.

Dry-docking activities and costs are capitalized and amortized on the straight-line method over a period ranging from three to 15 years until the next scheduled dry-docking. Dry-docking activities include, but are not limited to, the inspection, refurbishment and replacement of steel, engine components, tailshafts, mooring equipment and other parts of the vessel. Amortization related to dry-docking activities is included as a component of depreciation. These activities and the related amortization periods are periodically reviewed to determine if the estimates are accurate. If warranted, a significant upgrade of equipment may result in a revision to the useful life of the asset, in which case, the change is accounted for prospectively.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or the fair value, less the costs to sell, and are no longer depreciated. In 2012, several assets were identified and recorded as held for sale. During 2013, most of these assets were sold, generating proceeds of approximately \$0.5 million. The assets remaining at December 31, 2013 are expected to be disposed of within one year.

Goodwill and Other Intangible Assets

Goodwill

Goodwill recorded on our Consolidated Balance Sheets is subject to impairment testing at least annually or more frequently if events or circumstances indicate that the asset more likely than not may be impaired. In 2013, based on changes in our internal management structure and continuing consolidation efforts, we re-evaluated our operations, and determined we have a single operating segment and reporting unit, for goodwill impairment testing, as the nature of our business includes similar services; similar internal processes for the production of our services; similar methods used to provide our services to our customers; similar types of customers; a similar regulatory environment, and our assessment of our future prospects is similar throughout our operations. Furthermore, the types of information and the internal reports used by our chief operating decision maker (the "CODM") to monitor performance, evaluate results of operations, allocate resources, and manage the business are similar across our business. Therefore, based on the management of our business, we have a single reporting unit for impairment testing, which matches our single operating segment for financial reporting.

At December 31, 2013, goodwill totaled \$33.8 million. The Company assesses the fair value of its reporting unit based on a weighted average of valuations based on market multiples, discounted cash flows, and consideration of our

market capitalization. The key assumptions used in the discounted cash flow valuations are discount rates and perpetual growth rates applied to cash flow projections. Also inherent in the discounted cash flow valuation models are past performance, projections and assumptions in current operating plans, and revenue growth rates over the next five years. These assumptions contemplate business, market and overall economic conditions. We also consider assumptions that market participants may use.

As required by the Company's policy, annual impairment tests of goodwill are performed as of October 31 of each year or when circumstances arise that indicate a possible impairment might exist. The first step of the October 31, 2013 goodwill impairment test resulted in no indication of impairment, and no events have occurred since that date that would require an interim impairment test. The discount rate used in testing goodwill for the impairment test was 15.5%, and future cash flow projections were based on management's estimates, which the Company believes are conservative estimates due to the Company's operating losses in 2012 and 2013, pricing pressures and market conditions. The impairment test concluded that the fair value of the Company's reporting unit exceeded carrying value by 71%. In 2012, the Company tested impairment based on three reporting units, in which fair value exceeded carrying value in all three units, and goodwill was not impaired in that year. In the future, our estimated fair

Table of Contents

value could be negatively impacted by extended declines in our stock price, changes in macroeconomic indicators, sustained operating losses, and other factors which may affect our assessment of fair value.

Intangible assets

Intangible assets that have finite lives continue to be subject to amortization. In addition, the Company must evaluate the remaining useful life in each reporting period to determine whether events and circumstances warrant a revision of the remaining period of amortization. If the estimate of an intangible asset's remaining life is changed, the remaining carrying value of such asset is amortized prospectively over that revised remaining useful life.

Stock-Based Compensation

The Company recognizes compensation expense for equity awards over the vesting period based on the fair value of these awards at the date of grant. The computed fair value of these awards is recognized as a non-cash cost over the period the employee provides services, which is typically the vesting period of the award. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of restricted stock grants is equivalent to the fair value of the stock issued on the date of grant, and is measured as the mean price of the stock on the day of grant.

Compensation expense is recognized only for share-based payments expected to vest. The Company estimates forfeitures at the date of grant based on historical experience and future expectations. See Note 15 to the consolidated financial statements for further discussion of the Company's stock-based compensation plan.

Income Taxes

The Company determines its consolidated income tax provision using the asset and liability method prescribed by US GAAP, which requires the recognition of income tax expense for the amount of taxes payable or refundable for the current period and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. The Company must make significant assumptions, judgments and estimates to determine its current provision for income taxes, its deferred tax assets and liabilities, and any valuation allowance to be recorded against any deferred tax asset. The current provision for income tax is based upon the current tax laws and the Company's interpretation of these laws, as well as the probable outcomes of any tax audits. The value of any net deferred tax asset depends upon estimates of the amount and category of future taxable income reduced by the amount of any tax benefits that the Company does not expect to realize. Actual operating results and the underlying amount and category of income in future years could render current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate, thus impacting the Company's financial position and results of operations. The Company computes deferred income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740-10 which prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken, or expected to be taken, on our consolidated tax return. We evaluate and record any uncertain tax positions based on the amount that management deems is more likely than not to be sustained upon examination and ultimate settlement with the tax authorities in the tax jurisdictions in which we operate.

Insurance Coverage

The Company maintains insurance coverage for its business and operations. Insurance related to property, equipment, automobile, general liability, and a portion of workers' compensation is provided through traditional policies, subject to a deductible or deductibles. A portion of the Company's workers' compensation exposure is covered through a mutual association, which is subject to supplemental calls.

The Company maintains two levels of excess loss insurance coverage, totaling \$100 million in excess of primary coverage. The Company's excess loss coverage responds to most of its liability policies when a primary limit of \$1 million has been exhausted; provided that the primary limit for Maritime Employer's Liability is \$10 million and the Watercraft Pollution Policy primary limit is \$5 million.

F-14

Table of Contents

Separately, the Company's employee health care is provided through a trust, administered by a third party. The Company funds the trust based on current claims. The administrator has purchased appropriate stop-loss coverage. Losses on these policies up to the deductible amounts are accrued based upon known claims incurred and an estimate of claims incurred but not reported. The accruals are derived from known facts, historical trends and industry averages to determine the best estimate of the ultimate expected loss. Actual claims may vary from our estimate. We include any adjustments to such reserves in our consolidated results of operations in the period in which they become known.

The accrued liability for self-insured claims includes incurred but not reported losses of \$5.8 million and \$3.8 million at December 31, 2013 and 2012, respectively.

Warranty Costs

Provision for estimated warranty costs, (if any) is made in the period in which such costs become probable and is periodically adjusted to reflect actual experience. The Company historically has not been subject to significant warranty provisions.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issues accounting standards (each, an "ASU") from time to time to its Accounting Standards Codification ("ASC"), which is the primary source of U.S. GAAP. The Company regularly monitors ASUs as they are issued and considers applicability to its business. All ASUs are adopted by their respective due dates and in the manner prescribed by the FASB. The following are those recently issued ASUs most likely to affect the presentation of the Company's consolidated financial statements:

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This update provides guidance for the presentation of an unrecognized tax benefit when, among other things, a net operating loss carryforward exists. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

The new guidance will be effective for the Company beginning January 1, 2014. Earlier adoption is permitted. The Company believes that the new guidance will not have any material impact on the Company's financial statements upon adoption.

During the periods presented in these financial statements, the Company implemented other new accounting pronouncements other than those noted above that are discussed in the notes where applicable.

3. Business Acquisition

On October 31, 2012, a wholly-owned subsidiary of the Company expanded its business in the Pacific area through the acquisition of substantially all of the assets of West Construction, Inc., (the "Seller") located in Anchorage, Alaska, for \$9.0 million in cash. The assets acquired included construction equipment, inventory, and work in progress. Additionally, the Company hired substantially all of the Seller's personnel, entered into a two year consulting and sales agreement, and entered into a non-compete agreement with the Seller. The purchase agreement contained customary representations, warranties, covenants and indemnities.

The Seller did not meet the target earnout threshold based on Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") during the twelve months immediately following the closing, and no amounts were paid to the Seller. The liability of \$271,000 recorded at December 31, 2012 was reversed in June, 2013.

In addition, the Company acquired full ownership interest in one foreign entity, a two-thirds interest in another foreign entity, and the rights to the trade name. The two-thirds interest was sold back to the Seller in December, 2013.

F-15

Table of Contents

The Company entered into a lease agreement with the Seller, effective upon the date of closing, for office space in Anchorage, Alaska for an initial three year term.

The purchase price was allocated as follows:

Fixed assets, including inventory	\$5,936	
Seller receivables	1,425	
Intangible assets	702	
Goodwill	2,649	
Payable to Seller	(1,425)
Noncontrolling interest	(16)
	\$9,271	

The purchase price was allocated to the assets acquired and liabilities assumed using estimated fair values as of the acquisition date. Finite intangible assets include the trade name and backlog, which were estimated at \$332,000 and \$370,000, respectively, and amortize over a period of one and three years.

The fixed assets acquired, consisting primarily of construction equipment, are to be depreciated in accordance with Company policy, generally 3 to 15 years.

The goodwill of \$2.6 million arising from the acquisition consists primarily of synergies, economies of scale, and business opportunities expected from the combination with the Company. Goodwill for tax purposes is approximately \$2.6 million, which is amortizable over a 15 year period. Costs associated with the transaction were conducted by the Company's personnel, and external costs were minimal, primarily related to documentation fees, and were included in selling, general and administrative expenses.

The results and operations of West Construction have been included in the Consolidated Statements of Operations since the acquisition date. The acquisition did not have a material impact on the Company's results of operations, and accordingly, pro forma disclosures have not been presented.

4. Concentration of Risk and Enterprise Wide Disclosures

Accounts receivable include amounts billed to governmental agencies and private customers and do not bear interest. Balances billed to customers but not paid pursuant to retainage provisions generally become payable upon contract completion and acceptance by the owner. The table below presents the concentrations of receivables (trade and retainage) at December 31, 2013 and December 31, 2012, respectively:

	December 31, 2013			December 31, 2012		
Federal Government	\$4,849	10	%	\$7,375	14	%
State Governments	4,002	8	%	1,761	3	%
Local Governments	8,857	18	%	5,532	11	%
Private Companies	31,829	64	%	38,617	72	%
Total receivables	\$49,537	100	%	\$53,285	100	%

At December 31, 2013, a private sector customer accounted for 9.9% of total receivables. At December 31, 2012, receivables from the US Army Corps of Engineers and a private sector customer accounted for 9.1% and 12.5% of total receivables, respectively.

Additionally, the table below represents concentrations of revenue by type of customer for the years ended December 31, 2013, 2012 and 2011.

F-16

Table of Contents

	Year ended December 31,							
	2013	%	2012	%	2011	%		%
Federal	\$65,926	19	% \$64,049	22	% \$108,123	42		%
State	30,451	9	% 35,799	12	% 48,604	19		%
Local	54,702	15	% 44,626	15	% 40,647	15		%
Private	203,465	57	% 147,568	51	% 62,478	24		%
	\$354,544	100	% \$292,042	100	% \$259,852	100		%

In the twelve months ended December 31, 2013, the US Army Corps of Engineers generated 11.7% of total revenues. In the year ended December 31, 2012, the US Army Corps of Engineers represented 16.7% of total revenues, and a private sector customer generated 10.7% of total revenues. The US Army Corps of Engineers represented 24% of contract revenues in the year ended December 31, 2011.

The Company does not believe that the loss of any one of these customers, other than the US Army Corps of Engineers, would have a material adverse effect on the Company and its subsidiaries and affiliates.

Revenues generated outside the United States totaled 8.5%, 4% and 1% of total revenues for the years ended 2013, 2012 and 2011, respectively and were primarily located in the Caribbean.

The Company's long-lived assets are substantially located in the United States.

5. Contracts in Progress

Contracts in progress are as follows at December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012
Costs incurred on uncompleted contracts	\$360,678	\$343,524
Estimated earnings	47,208	64,358
	407,886	407,882
Less: Billings to date	(397,625)	(405,006)
	\$10,261	\$2,876
Included in the accompanying consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	24,856	\$19,245
Billings in excess of costs and estimated earnings on uncompleted contracts	(14,595)	(16,369)
	\$10,261	\$2,876

Contract costs include all direct costs, such as materials and labor, and those indirect costs related to contract performance such as payroll taxes and insurance. Provisions for estimated losses on uncompleted contracts are made in the period in which such estimated losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

Table of Contents

6. Property and Equipment

The following is a summary of property and equipment at December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012
Automobiles and trucks	\$2,148	\$1,591
Building and improvements	22,828	22,037
Construction equipment	145,309	140,835
Dredges and dredging equipment	93,963	96,927
Office equipment	4,545	4,095
	268,793	265,485
Less: accumulated depreciation	(144,121	) (136,556
Net book value of depreciable assets	124,672	128,929
Construction in progress	2,458	6,949
Land	14,793	14,793
	\$141,923	\$150,671

For the years ended December 31, 2013, 2012 and 2011, depreciation expense was \$21.1 million, \$21.5 million and \$19.4 million, respectively. Substantially all depreciation expense is included in the cost of contract revenue in the Company's Condensed Consolidated Statements of Income. The assets of the Company are pledged as collateral under the Company's Credit Agreement (as defined in Note 11).

In January 2012, the Company purchased approximately 18 acres of land, including buildings and improvements, from Lazarra Leasing, LLC ("Seller"). The property, located in Tampa, Florida, was formerly partially rented by the Company.

The purchase price of \$13.7 million included construction of dock improvements at Seller's facility, in an amount not to exceed \$279,700; rental of a portion of the land retained by the Seller for an initial term of 20 years, with payment of \$250,000 for the entire term paid in advance; and leaseback by the Seller of three buildings for up to 24 months following the sale, with the first 12 months rent abated.

As discussed in Note 3 (above), the Company purchased the assets of West Construction for approximately \$9.3 million, which increased fixed assets by approximately \$4.5 million.

The Company drew from its Credit Facility (as defined in Note 11) to purchase the Tampa property and finance the acquisition of West Construction.

In 2012, the Company adopted a plan to dispose of under-utilized equipment. These assets were separately presented in the Consolidated Balance Sheets as "Assets Held for Sale" and were no longer depreciated. The carrying value of certain of these assets exceeded fair value, and consequently, the Company recorded an impairment loss of \$2.0 million on those assets. The loss is recorded in the "Other" section of the Consolidated Statements of Operations. During 2013, the Company received proceeds of \$0.5 million from the sale of certain of these assets. Approximately \$0.4 million remain as held for sale on the Company's Consolidated Balance Sheets at December 31, 2013. The Company expects to dispose of the remaining assets within one year of the balance sheet date.

7. Inventory

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Inventory at December 31, 2013 and December 31, 2012, of \$3.5 million and \$4.4 million respectively, consists of spare parts and small equipment held for use in the ordinary course of business.

Non current inventory at December 31, 2013 totaled \$4.8 million and consisted primarily of spare engine components kept on hand for the Company's assets.

F-18

Table of Contents

8. Fair Value

The fair value of financial instruments is the amount at which the instrument could be exchanged in a current transaction between willing parties. Due to their short term nature, we believe that the carrying value of our accounts receivables, other current assets, accounts payables and other current liabilities approximate their fair values.

The fair value of the Company's reporting unit (as needed for purposes of determining indications of impairment to the carrying value of goodwill) is determined using a weighted average of valuations based on market multiples, discounted cash flows, and consideration of our market capitalization. In 2012, we acquired the assets of West Construction, which resulted in the valuation of fixed assets and goodwill on a non-recurring basis, as presented in the table below:

	December 31, 2012	Level 1	Level II	Level III
Assets acquired in business combinations	\$5,936	—	—	\$5,936
Goodwill and other intangibles	\$3,352	—	—	\$3,352
Fair value of earnout liability	\$(271	) —	—	\$(271)

Targets related to the earnout liability were not reached in the measurement period, and the earnout was not paid.

The fair value of the Company's debt at December 31, 2013 approximated its carrying value of \$8.6 million, as interest is based on current market interest rates for debt with similar risk and maturity. The Company debt at December 31, 2012 was \$12.6 million. If the Company's debt was measured at fair value, it would have been classified as Level 2 in the fair value hierarchy.

9. Goodwill and Intangible Assets

Goodwill

The table below summarizes changes in goodwill recorded by the Company during the periods ended December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012
Beginning balance, January 1	\$33,798	\$31,149
Additions	—	2,649
Ending balance	\$33,798	\$33,798

No indicators of goodwill impairment were identified during the year ended December 31, 2013.

Intangible assets

The tables below present the activity and amortizations of finite-lived intangible assets:

	2013	2012
Intangible assets, January 1	\$7,602	\$6,900
Additions	—	702
Total intangible assets, end of year	7,602	7,602

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Accumulated amortization	\$ (6,975)	\$ (6,900)
Current year amortization	(430)	(75)
Total accumulated amortization	(7,405)	(6,975)
Net intangible assets, end of year	\$ 197		\$ 627	

F-19

Table of Contents

The intangible assets were acquired in 2012 as part of the purchase of West Construction (see Note 3 above), and amortize over a period of one to three years, as follows:

	2014	2015
Amortization	\$ 100	\$ 97

10. Accrued Liabilities

Accrued liabilities at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Accrued salaries, wages and benefits	\$3,604	\$3,552
Accrual for self-insurance liabilities	5,787	3,806
Property taxes	584	2,458
Sales tax	481	—
Other accrued expenses	959	2,640
	\$11,415	\$12,456

11. Long-term Debt and Line of Credit

The Company has a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, and Wells Fargo Securities, LLC.

The Credit Agreement, as amended from time to time, provides for borrowings under a revolving line of credit and swingline loans, an accordion, and a term loan (together, the "Credit Facility"). The Credit Facility is guaranteed by the subsidiaries of the Company, secured by the assets of the Company, including stock held in its subsidiaries, and may be used to finance working capital, repay indebtedness, fund acquisitions, and for other general corporate purposes. Interest is computed based on the designation of the loans, and bear interest at either a prime-based interest rate or a LIBOR-based interest rate. Principal balances drawn under the Credit Facility may be prepaid at any time, in whole or in part, without premium or penalty. Amounts repaid under the revolving line of credit may be re-borrowed. In April 2013, the maturity of its Credit Facility was extended from June 30, 2013 to June 30, 2014.

Provisions of the revolving line of credit and accordion

The Company has a maximum borrowing availability under the revolving line of credit and swingline loans (as defined in the Credit Agreement) of \$35 million, with a \$20 million sublimit for the issuance of letters of credit. An additional \$25 million is available subject to the Lender's discretion.

Revolving loans may be designated as prime rate based loans ("ABR Loans") or Eurodollar Loans, at the Company's request, and may be made in an integral multiple of \$500,000, in the case of an ABR Loan, or \$1 million in the case of a Eurodollar Loan. Swingline loans may only be designated as ABR Loans, and may be made in amounts equal to integral multiples of \$100,000. The Company may convert, change or modify such designations from time to time.

Borrowings are subject to a borrowing base, which is calculated as the sum of 80% of eligible accounts receivable, plus 90% of adjusted cash balances, as defined in the Credit Agreement. At December 31, 2013, our borrowing base reflected no limitation in borrowing availability.

During 2013, the Company repaid the outstanding revolver balance of \$2.5 million. Outstanding letters of credit, which totaled \$742,000 at December 31, 2013, reduced our maximum borrowing availability to \$34.3 million .

Provisions of the term loan

At December 31, 2013, the term loan component of the Credit Facility totaled \$8.6 million and is secured by specific dredge assets of the Company. Principal payments on the term loan, in the amount of \$389,000, commenced in September, 2012 and are due quarterly.

F-20

Table of Contents

Financial covenants

Restrictive financial covenants under the Credit Facility include:

A Tangible Net Worth covenant, with the minimum Tangible Net Worth requirement of a base amount of \$180 million as of the effective date of the amendment, plus 50% of consolidated quarterly net income (if positive), plus 75% of all issuances of equity interests by Borrower during that quarter; and

A Profitability Covenant such that the Company shall not sustain a consolidated net loss for two consecutive fiscal quarters, commencing with the quarter ending September 30, 2012.

In addition, the Credit Facility contains events of default that are usual and customary for similar transactions, including non-payment of principal, interest or fees; inaccuracy of representations and warranties; violation of covenants; bankruptcy and insolvency events; and events constituting a change of control.

The Company is subject to a commitment fee, at a current rate of 0.25% of the unused portion of the maximum available to borrow under the Credit Facility. The commitment fee is payable quarterly in arrears.

Interest at December 31, 2013, was based on a LIBOR-option interest rate of 2.19%. For the year ended December 31, 2013, the weighted average interest rate was 2.48%. At December 31, 2013, the Company had letters of credit outstanding of approximately \$742,000.

At December 31, 2013, the Company was in compliance with its financial covenants and expects to be in compliance in 2014.

The Company expects to meet its future internal liquidity and working capital needs, and maintain its equipment fleet through capital expenditure purchases and major repairs, from funds generated by its operating activities for at least the next 12 months. We believe our cash position is adequate for our general business requirements.

12. Purchase of Common Shares

In May 2011, the Board of Directors of the Company approved a common share repurchase program that authorized the repurchase of up to \$40 million in open market value. The shares may be repurchased over time, depending on market conditions, the market price of the Company's common shares, the Company's capital levels and other considerations. The share repurchase program is expected to expire one year from the date the program was approved by the Company's Board of Directors. During 2011, the Company repurchased 305,500 shares at an average price of \$9.83 per share. No shares were repurchased in 2012, and the program expired in May 2012.

13. Income Taxes

The following table presents the components of our consolidated income tax expense for the years ended December 31, 2013, 2012 and 2011:

	Current	Deferred	Total
Year ended December 31, 2013			
U.S. Federal	\$ (936	) \$ 19	\$ (917
State and local	238	(258) (20
	\$ (698) \$ (239) \$ (937
Year ended December 31, 2012			
U.S. Federal	\$ (3,214) \$ (2,174) \$ (5,388

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State and local	220	528	748
	\$(2,994) \$(1,646) \$(4,640)
Year ended December 31, 2011			
U.S. Federal	\$(12,386) \$6,736	\$ (5,650)
State and local	847	(1,544	) (697)
	\$(11,539	) \$5,192	\$ (6,347)

F-21

Table of Contents

The Company's income tax provision reconciles to the provision at the statutory U.S. federal income tax rate for each year ended December 31, as follows:

	2013		2012		2011	
Statutory amount (computed at 35%)	\$(212	)	\$(5,776	)	\$(6,812)
State income tax, net of federal benefit	(20	)	564		(415)
Permanent differences	(13	)	(743	)	(359)
Permanent differences, incentive stock options	237		1,189		935	
True up of deferred balances for non-qualified stock options	(571)	—		—	
True up of deferred balances for state tax benefits	(401)	—		—	
Other (net)	43		126		304	
Consolidated income tax provision	\$(937	)	\$(4,640	)	\$(6,347)
Consolidated effective tax rate	154.6	%	27.9	%	32.6	%

The Company's effective tax rate is based on expected income, statutory tax rates and tax planning opportunities available to it. For interim financial reporting, the Company estimates its annual tax rate based on projected taxable income (or loss) for the full year and records a quarterly tax provision in accordance with the anticipated annual rate.

In the current year, the rate differed from the Company's statutory rate of 35% primarily due to the losses incurred in the current year, offset by state income taxes, and the non-deductibility of certain permanent tax items, such as incentive stock compensation expense. In addition, the Company revised certain estimates related to deferred tax attributes associated with stock options and state tax benefits.

The Company's deferred tax assets and liabilities are as follows:

	December 31, 2013		December 31, 2012					
	Current	Long-term	Current	Long-term				
Assets related to:								
Accrued liabilities	\$1,913	\$—	\$1,786	\$—				
Intangible assets	121	2,219	22	2,005				
Net operating loss carryforward	—	10,604	—	7,367				
Non-qualified stock options	—	1,268	—	1,113				
Other	23	1,170	28	1,499				
Total assets	2,057	15,261	1,836	11,984				
Liabilities related to:								
Depreciation and amortization	—	(30,082)	—	(27,845)		
Goodwill and gain on purchase of a business	—	(3,157)	—	(2,319)		
Deferred revenue on maintenance contracts	(1,327)	—	(1,738)	—		
Other	(4)	—	(61)	—		
Total liabilities	(1,331)	(33,239)	(1,799)	(30,164)
Net deferred assets (liabilities)	\$726	\$(17,978)	\$37	\$(18,180)		

As reported in the balance sheets:

	December 31, 2013	December 31, 2012
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Net current deferred tax assets	726	37	
Net non-current deferred tax liabilities	(17,978) (18,180)
Total net deferred tax liabilities:	\$(17,252	) \$(18,143)

In assessing the realizability of deferred tax assets at December 31, 2013, the Company considered whether it was more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets depends upon

F-22

Table of Contents

the generation of future taxable income, which includes the reversal of deferred tax liabilities related to depreciation, during the periods in which these temporary differences become deductible. Although the Company has had a taxable loss over the past three years, as of December 31, 2013, the Company believes that all of its available deferred tax assets will be utilized prior to expiration and therefore has not recorded a valuation allowance.

The Company has a net operating loss carryforward ("NOL") in 2013 of \$2.6 million for state income tax reporting purposes due to the losses sustained in various states in 2011, 2012 and 2013. The Company believes it will be able to utilize these NOL's against future income, due to expiration dates well into the future, and therefore no valuation allowance has been established. For federal tax reporting purposes, the Company carried all of its 2011 NOL back to 2009 and 2010 and received approximately \$13.1 million in cash against these tax years. Part of the loss generated in 2012 was carried back to 2010, and the Company received \$2.7 million in 2013. Approximately \$8.0 million remains as a Federal tax carryforward, which the Company believes it will be able to utilize before expiration.

The Company and its subsidiaries file consolidated federal income tax returns in the United States and also file in various states. With few exceptions, the Company remains subject to federal and state income tax examinations for the years of 2008, 2009, 2010 and 2011. The Company's policy is to recognize interest and penalties related to any unrecognized tax liabilities as additional tax expense. In 2012, the Company recorded \$99,000 as additional tax expense related to penalties and interest incurred as a result of filings in the U.S. Virgin Islands. No interest or penalties have been accrued at December 31, 2013 and 2012, as the Company has not recorded any uncertain tax positions. The Company believes it has appropriate and adequate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter.

Although the Company believes its recorded assets and liabilities are reasonable, tax regulations are subject to interpretation and tax litigation is inherently uncertain; therefore the Company's assessments can involve both a series of complex judgments about future events and rely heavily on estimates and assumptions. Although the Company believes that the estimates and assumptions supporting its assessments are reasonable, the final determination of tax audit settlements and any related litigation could be materially different from that which is reflected in historical income tax provisions and recorded assets and liabilities. If the Company were to settle an audit or a matter under litigation, it could have a material effect on the income tax provision, net income, or cash flows in the period or periods for which that determination is made. Any accruals for tax contingencies are provided for in accordance with US GAAP.

In July 2012, consent was received from the IRS permitting the Company to change its tax accounting method for certain service revenue effective for the taxable year ended December 31, 2011, which resulted in the deferral of approximately \$10.9 million of taxable income. At the time the consent was given, the Company was under audit by the IRS for its 2009 and 2010 tax years, and the Company expects that its 2011 and 2012 tax returns will also be reviewed due to the losses generated in 2011 and 2012. The Company does not expect any material changes to its returns will result from these audits and reviews.

The Company does not believe that its tax positions will significantly change due to any settlement and/or expiration of statutes of limitations prior to December 31, 2014.

In September 2013, the IRS issued its final regulations governing expenditures made on tangible property, and provides guidance on amounts paid to improve tangible property and acquire or produce tangible property, as well as guidance regarding the disposition of property and the expensing of supplies and materials (the "Repair Regulations"). Adoption and implementation is required for tax years beginning on or after January 1, 2014. Taxpayers may elect to adopt the Repair Regulations and apply the regulations retroactively to tax years beginning on or after January 1, 2012. The Company does not plan to adopt the Repair Regulations prior to the effective date of January 1, 2014, and

does not anticipate adoption will have a material impact on the Company's consolidated results of operations, cash flows or financial position.

14. Earnings (Loss) Per Share

Basic earnings (loss) per share are based on the weighted average number of common shares outstanding during each period. Diluted earnings per share are based on the weighted average number of common shares outstanding and the effect of all dilutive common stock equivalents during each period. The exercise price for certain stock options awarded by the Company exceeds the average market price of the Company's common stock. Such stock options are antidilutive and are not included in the computation of (loss) earnings per share. For the year ended December 31, 2013, 795,133 potential common stock equivalents were excluded from the computation as the effect of such would be anti-dilutive. Antidilutive stock options outstanding totaled 2,283,840 and 2,128,906 in the years ended December 31, 2012 and 2011, respectively.

F-23

Table of Contents

The following table reconciles the denominators used in the computations of both basic and diluted (loss) earnings per share:

	Year ended December 31,		
	2013	2012	2011
Basic:			
Weighted average shares outstanding	27,296,732	27,138,927	26,990,059
Diluted:			
Total basic weighted average shares outstanding	27,296,732	27,138,927	26,990,059
Effect of dilutive securities:			
Common stock options	316,322	—	—
Total weighted average shares outstanding assuming dilution	27,613,054	27,138,927	26,990,059
Anti-dilutive stock options	795,133	2,283,840	2,128,906
Shares of common stock issued from the exercise of stock options	155,731	56,658	32,124

15. Stock-Based Compensation

The Compensation Committee of the Company's Board of Directors is responsible for the administration of the Company's stock incentive plans, which include the balance of shares remaining under the 2007 Long Term Incentive Plan (the "2007 LTIP") and the 2011 Long Term Incentive Plan (the "2011 LTIP") which was approved by the shareholders in May 2011 and authorized the maximum aggregate number of shares to be issued of 3,000,000. In general, the Company's plans provide for grants of restricted stock and stock options to be issued with a per-share price equal to the fair market value of a share of common stock on the date of grant. Option terms are specified at each grant date, but are generally are 10 years from the date of issuance. Options generally vest over a three to five year period.

Restricted Stock

The following table summarizes the restricted stock activity under the Company's equity incentive plans :

	Number of Shares	Weighted Average Fair Value Per Share
Nonvested at January 1, 2011	128,232	\$1.65
Granted	400,417	\$6.00
Vested	(63,299)	) \$1.99
Forfeited/repurchased shares	(12,783)	) \$15.24
Nonvested at December 31, 2011	452,567	\$14.72
Granted	36,640	\$6.55
Vested	(171,986)	) \$8.14
Forfeited/repurchased shares	—	\$—
Nonvested at December 31, 2012	317,221	\$6.46
Granted	24,824	\$11.28
Vested	(124,998)	) \$7.17
Forfeited/repurchased shares	—	\$—
Nonvested at December 31, 2013	217,047	\$6.60

Independent directors receive equity compensation each year in the form of grants with a fair value of \$60,000, with vesting in six months from the date of grant. In 2013, the fair value of the grant was increased to \$70,000, with vesting six months from the date of grant. In August, 2011, awards of restricted stock, totaling 360,417 shares, with a fair value of \$6.00 per share, were granted to the Company's named executive officers with vesting over a five year period. On the same day, the Company's independent directors each received grants of 10,000 shares with a fair value of \$6.00 per share, which vest over six months. In November, 2012, the Company's independent directors received their annual equity compensation grants of 9,160 shares, with a fair value of \$6.55, and in November 2013, the independent directors received annual equity compensation grants of 6,206 shares, with a fair value of \$11.29 per share.

F-24

Table of Contents

Stock Options

The following table summarizes the stock option activity under the Company's equity incentive plans:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2011	1,308,998	\$ 12.30		
Granted	953,800	\$ 6.02		
Exercised	(32,124)	\$ 5.78		
Forfeited	(101,768)	\$ 15.68		
Outstanding at December 31, 2011	2,128,906	\$ 9.42		
Granted	262,051	\$ 6.56		
Exercised	(56,658)	\$ 5.27		
Forfeited	(50,457)	\$ 7.97		
Outstanding at December 31, 2012	2,283,842	\$ 9.23		
Granted	35,081	\$ 9.48		
Exercised	(155,731)	\$ 5.51		
Forfeited	(90,433)	\$ 9.73		
Outstanding at December 31, 2013	2,072,759	\$ 9.49		
Vested at December 31, 2013 and expected to vest	2,045,835	\$ 10.89	8.04 years	\$ 947
Exercisable at December 31, 2013	1,438,240	\$ 10.89	6.52 years	\$ 373

The Company calculates the fair value of each option on the date of grant using the Black-Scholes pricing model and the following weighted-average assumptions in each year:

	2013	2012	2011	
Weighted average grant-date fair value of options granted	\$ 4.11	\$ 4.08	\$ 4.03	
Risk-free interest rate	1	% 1.42	% 1.5	%
Expected volatility	62.4	% 68.5	% 68.4	%
Expected term of options (in years)	3.2	6.2	7.5	
Dividend yield	—	% —	% —	%

The risk-free interest rate is based on interest rates on U.S. Treasury zero-coupon issues that match the contractual terms of the stock option grants. The expected term represents the period in which the Company's equity awards are expected to be outstanding, which for the years presented is based on the exercise history.

For years ended December 31, 2013, 2012 and 2011, compensation expense related to stock based awards outstanding for the periods was \$2.1 million, \$3.1 million and \$2.7 million, respectively.

The Company applies a 5.5% forfeiture rate to its option grants. No options were granted in the quarter ended December 31, 2013.

In the year ended December 31, 2013, the Company received proceeds of approximately \$858,000 upon the exercise of 155,731 options. In the year ended December 31, 2012, proceeds of \$298,000 upon the exercise of 56,658 options

and in the year ended December 31, 2011, 32,124 options were exercised, generating proceeds of \$185,000.

As of December 31, 2013, there was \$3.4 million of unrecognized compensation cost, net of estimated forfeitures, related to the Company's non-vested equity awards, which is expected to be recognized over a weighted average period of 2.5 years.

F-25

Table of Contents

	2013	2012	2011
Total intrinsic value of options exercised	\$804	\$130	\$143
Total fair value of shares vested	\$1,457	\$1,997	\$1,383

16. Employee Benefits

All employees except the Associate Divers, the Associate Tugmasters, and union employees in the Pacific Northwest, are eligible to participate in the Company's 401(k) Retirement Plan after completing six months of service. Each participant may contribute between 1% and 80% of eligible compensation on a pretax basis, up to the annual IRS limit. The Company matches 100% on the first 2% of eligible compensation contributed to the Plan and 50% on the next 2% of eligible compensation contributed to the Plan. Participants' contributions are fully vested at all times. Employer matching contributions vest over a four-year period. At its discretion, the Company may make additional matching and profit-sharing contributions. During the years ended December 31, 2013, the Company contributed \$1.0 million to the plan, and in 2012 and 2011, the Company contributed \$1.1 million to the plan in each respective year.

The Company contributes to several multiemployer defined pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. Risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If the Company chooses to stop participating in its multiemployer plans, it may be required to pay a withdrawal liability based on the underfunded status of the plan.

The following table presents the Company's participation in these plans:

Pension Trust	Pension Plan Employer Identification Number	Pension Protection Act ("PPA") Certified Zone Status (1)		FIP/RP Status Contributions			Surcharge Imposed	Expiration of Collective Bargaining Agreement
		2013	2012	P/I (2)	2013	2012			2011
International Union of Operating Engineers-Employers Construction Industry Retirement Plan	91-6028571	Green	Green	N/A	\$534	\$486	\$336	2015
Associated General Contractors of Washington Carpenter, Piledrivers, and Millwrights	91-6029051	Green	Green	N/A	\$438	\$400	\$331	2015
Alaska Carpenters Trust Fund	92-0120866	Green	Green	N/A	\$856	\$142	\$—	2014
Alaska Laborers Trust Fund	91-6028298	Orange	NA	P	\$52	\$—	\$—	2015

Table of Contents

1. The most recent PPA zone status available in 2013 and 2012 is for the plan's year end during 2012 and 2011, respectively. Zone status is based on information received from the plan and is indicative of the plans funding status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the orange zone are less than 80 percent funded and have an Accumulated Funding Deficiency in the current year or projected into the next six years, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.
2. The FIP/RP Status P/I column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending ("P"), or implemented ("I").
3. Other smaller funds for pensions and other employee benefits, primarily in Alaska.

There are currently no plans to withdraw from any of the multiemployer plans in which the Company participates.

17. Commitments and Contingencies

Operating Leases

In July 2005, the Company executed a sale-leaseback transaction in which it sold an office building for \$2.1 million and entered into a ten year lease agreement. The Company, at its option, can extend the lease for two additional five year terms. Scheduled increases in monthly rent are included in the lease agreement.

The sale of the office building resulted in a gain of \$562,000 which has been deferred and amortized over the life of the lease. The Company recognized approximately \$56,000 in each of the years ending December 31, 2013, 2012 and 2011, respectively. Rent expense under this agreement was \$172,620, \$172,620, and \$170,219 for each of the years ending December 31, 2013, 2012 and 2011, respectively.

In 2005, the Company entered into a lease agreement for vehicles under a continuing operating lease agreement. Rental expense under this lease for the years ended December 31, 2013, 2012 and 2011 was \$2.7 million \$2.8 million, and \$4.6 million, , respectively.

The Company leases its corporate office in Houston, Texas under a lease with an initial term of nine years. In addition, the Company leases other facilities, including office space and yard facilities, under terms that range from one to five years. The Company also leases short-term field office space at its various construction sites for the duration of the projects.

As part of the purchase of property in Florida in 2012, the Company entered into a long-term lease of land for a 20 year term, and paid \$250,000 for the entire period. The long-term portion of the balance of the lease term is included in long-term prepaids in the Consolidated Balance Sheets.

Future minimum lease payments under non-cancelable operating leases as of December 31, 2013 are as follows:

	Amount
Year ended December 31,	
2014	\$3,225
2015	1,595
2016	514
2017	81
2018	41
Thereafter	—
	\$5,456

Litigation

From time to time the Company is a 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, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, the Company accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on results of operations, cash flows or financial condition.

F-27

Table of Contents

18. Selected Quarterly Financial Data

The following table sets forth selected unaudited financial information for the eight quarters in the two-year period ended December 31, 2013. This information has been prepared on the same basis as the audited financial statements and, in the opinion of management, contains all adjustments necessary for a fair presentation.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year	
	(in thousands, except per share data)					
2013						
Revenues	\$75,059	\$84,081	\$88,992	\$106,412	\$354,544	
Gross profit	5,827	7,786	5,585	12,806	32,004	
Operating (loss) income	(1,864) 231	(2,389) 3,916	(106)
(Loss) income before income taxes	(1,737) 190	(2,475) 3,416	(606)
Net (loss) income	(1,097	) 212	(974	) 2,190	331
Net income attributable to noncontrolling interest	(7	) (18	) (31	) 56	—
Net (loss) income attributable to common stockholders	(1,090	) 230	(943	) 2,134	331
Earnings (loss) per share:						
Basic	\$(0.04	) \$0.01	\$(0.03	) \$0.08	\$0.01
Diluted	\$(0.04	) \$0.01	\$(0.03	) \$0.08	\$0.01

Reclassifications were made between other income/(loss) in the quarters to conform with annual presentation.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year	
	(in thousands, except per share data)					
2012						
Revenues	\$50,890	\$67,132	\$75,386	\$98,634	\$292,042	
Gross profit	(2,827	) (217	) 4,892	12,522	14,370
Operating income (loss)	(9,918) (7,695) (2,293) 5,703	(14,203)
Loss (income) before income taxes	(9,895) (7,918) (2,480) 3,787	(16,506)
Net (loss) income	(6,336) (5,421) (1,595) 1,486	(11,866)
Earnings per share:						
Basic	\$(0.23) \$(0.20) \$(0.06) \$0.05	\$(0.44)
Diluted	\$(0.23) \$(0.20) \$(0.06) \$0.05	\$(0.44)

19. Subsequent Event

On February 25, 2014, a newly-formed, wholly-owned subsidiary of the Company, CPB Properties, LLC ("CPB"), entered into a purchase and sale agreement (the "PSA") to purchase approximately 340 acres of land located in Harris County, Texas, from Pasadena Nitrogen, LLC ("Seller"), for a purchase price of approximately \$22 million, to be paid in cash at closing. The closing occurred on February 26, 2014.

The Company financed the purchase of the land through a draw on on the revolving portion of its Credit Facility. CPB and the Company intend to use the property as a dredge material placement area ("DMPA") along the upper Houston Ship Channel.

The PSA contains customary representations, warranties, and covenants between CPB and the Seller Agrifos Holdings, Inc. ("Agrifos"), parent of the Seller, joined the PSA to accept joint and several liability with the Seller for all Seller's obligations under the PSA, whether such obligations arise before or after closing. The Seller, Agrifos, CPB, and the Company also executed a mutual indemnification agreement as provided by the PSA.

F-28

Table of Contents

ORION MARINE GROUP, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

Description	Balance at the Beginning of the Period	Charged to Revenue, Cost or Expense	Deduction	Balance at the End of the Period
Year ended December 31, 2011:				
Provision for Doubtful Accounts	\$—	\$255	\$(255))\$—
Year ended December 31, 2012:				
Provision for Doubtful Accounts	\$—	\$12	\$(12))\$—
Year ended December 31, 2013:				
Provision for Doubtful Accounts	\$—	\$213	\$(213))\$—