

EMCOR GROUP INC
Form 10-K
February 25, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTIONS 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

(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, 2010
- 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 1-8267

EMCOR GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

301 Merritt Seven
Norwalk, Connecticut
(Address of Principal Executive Offices)

11-2125338
(I.R.S. Employer
Identification No.)

06851-1092
(Zip Code)

Registrant's telephone number, including area code: (203) 849-7800

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

Title of Each Class Common Stock	Name of Each Exchange on Which Registered 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 Section 15(d) of the Securities Exchange 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 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$1,292,000,000 as of the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price on the New York Stock Exchange reported for such date. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock (based solely on filings of such 5% holders) have been excluded from such calculation as such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares of the registrant's common stock outstanding as of the close of business on February 22, 2011: 66,683,968 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Edgar Filing: EMCOR GROUP INC - Form 10-K

Part III. Portions of the definitive proxy statement for the 2011 Annual Meeting of Stockholders, which document will be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year to which this Form 10-K relates, are incorporated by reference into Items 10 through 14 of Part III of this Form 10-K.

TABLE OF CONTENTS**PAGE****PART I**

Item 1.	Business	
	General	1
	Operations	2
	Competition	4
	Employees	5
	Backlog	5
	Available Information	5
Item 1A.	Risk Factors	6
Item 1B.	Unresolved Staff Comments	11
Item 2.	Properties	12
Item 3.	Legal Proceedings	16
Item 4.	(Removed and Reserved)	16
	Executive Officers of the Registrant	17

PART II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	18
Item 6.	Selected Financial Data	20
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	36
Item 8.	Financial Statements and Supplementary Data	37
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	73
Item 9A.	Controls and Procedures	73
Item 9B.	Other Information	73

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	74
Item 11.	Executive Compensation	74
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	74
Item 13.	Certain Relationships and Related Transactions, and Director Independence	74
Item 14.	Principal Accounting Fees and Services	74

PART IV

Item 15.	Exhibits, Financial Statement Schedules	75
----------	---	----

[This Page Intentionally Left Blank]

FORWARD-LOOKING STATEMENTS

Certain information included in this report, or in other materials we have filed or will file with the Securities and Exchange Commission (the "SEC") (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Act"). Such statements are being made pursuant to the 1995 Act and with the intention of obtaining the benefit of the "Safe Harbor" provisions of the 1995 Act. Forward-looking statements are based on information available to us and our perception of such information as of the date of this report and our current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They contain words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "can," "could," "might," variations of such wording and other words or phrases of similar meaning in connection with a discussion of our future operating or financial performance, and other aspects of our business, including market share growth, gross profit, project mix, projects with varying profit margins, selling, general and administrative expenses, and trends in our business and other characterizations of future events or circumstances. From time to time, forward-looking statements also are included in our other periodic reports on Forms 10-Q and 8-K, in press releases, in our presentations, on our web site and in other material released to the public. Any or all of the forward-looking statements included in this report and in any other reports or public statements made by us are only predictions and are subject to risks, uncertainties and assumptions, including those identified below in the "Risk Factors" section, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, and other sections of this report, and in our Forms 10-Q for the three months ended March 31, 2010, June 30, 2010 and September 30, 2010 and in other reports filed by us from time to time with the SEC as well as in press releases, in our presentations, on our web site and in other material released to the public. Such risks, uncertainties and assumptions are difficult to predict, beyond our control and may turn out to be inaccurate causing actual results to differ materially from those that might be anticipated from our forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in our subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted.

[This Page Intentionally Left Blank]

PART I

ITEM 1. BUSINESS

References to the Company, EMCOR, we, us, our and similar words refer to EMCOR Group, Inc. and its consolidated subsidiaries unless the context indicates otherwise.

General

We are one of the largest electrical and mechanical construction and facilities services firms in the United States, Canada, the United Kingdom and in the world. In 2010, we had revenues of approximately \$5.1 billion. We provide services to a broad range of commercial, industrial, utility and institutional customers through over 70 operating subsidiaries and joint venture entities. Our offices are located in the United States, Canada and the United Kingdom. Our executive offices are located at 301 Merritt Seven, Norwalk, Connecticut 06851-1092, and our telephone number at those offices is (203) 849-7800.

We specialize principally in providing construction services relating to electrical and mechanical systems in facilities of all types and in providing comprehensive services for the operation, maintenance and management of substantially all aspects of such facilities, commonly referred to as facilities services.

We design, integrate, install, start-up, operate and maintain various electrical and mechanical systems, including:

- Electric power transmission and distribution systems;
- Premises electrical and lighting systems;
- Low-voltage systems, such as fire alarm, security and process control systems;
- Voice and data communications systems;
- Roadway and transit lighting and fiber optic lines;
- Heating, ventilation, air conditioning, refrigeration and clean-room process ventilation systems;
- Fire protection systems;
- Plumbing, process and high-purity piping systems;
- Water and wastewater treatment systems; and
- Central plant heating and cooling systems.

Our facilities services operations, many of which support the operation of a customer's facilities, include:

- Industrial maintenance and services;

Outage services to utilities and industrial plants;

Commercial and government site-based operations and maintenance;

Military base operations support services;

Mobile maintenance and services;

Facilities management;

Installation and support for building systems;

Program development, management and maintenance for energy systems;

Shop and on-site field services for refineries and petrochemical plants;

Technical consulting and diagnostic services;

Infrastructure and building projects for federal, state and local governmental agencies and bodies;

Small modification and retrofit projects; and

Retrofit projects to comply with clean air laws.

Facilities services are provided to a wide range of commercial, industrial, utility and institutional facilities, including those to which we also provide construction services and others to which construction services are provided by others. Many of our varied

facilities services are often combined to provide integrated service packages, which include operations and maintenance, mobile mechanical services, energy management and facility improvement programs.

We provide construction services and facilities services directly to corporations, municipalities and other governmental entities, owners/developers, and tenants of buildings. We also provide these services indirectly by acting as a subcontractor to general contractors, systems suppliers, property managers and other subcontractors. Worldwide, as of December 31, 2010, we had over 24,000 employees.

Our revenues are derived from many different customers in numerous industries, which have operations in several different geographical areas. Of our 2010 revenues, approximately 86% were generated in the United States and approximately 14% were generated internationally. In 2010, approximately 42% of revenues were derived from new construction projects, 19% were derived from renovation and retrofit of customer's existing facilities, and 39% were derived from facilities services operations.

The broad scope of our operations is more particularly described below. For information regarding the revenues and operating income of each of our segments with respect to each of the last three years, total assets of each of our segments with respect to each of the last two years, and our revenues and assets attributable to the United States, Canada, the United Kingdom and all other foreign countries, see Note 18 Segment Information of the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data.

Operations

The electrical and mechanical construction services industry has grown over the years due principally to the increased content, complexity and sophistication of electrical and mechanical systems, as well as the installation of more technologically advanced voice and data communications, lighting and environmental control systems in all types of facilities in large part due to the integration of digital processing and information technology in all types of projects. For these reasons, buildings need extensive electrical distribution systems. In addition, advanced voice and data communication systems require more sophisticated power supplies and extensive low-voltage and fiber-optic communications cabling. Moreover, the need for substantial environmental controls within a building, due to the heightened need for climate control to maintain extensive computer systems at optimal temperatures, and the demand for energy savings and environmental control in individual spaces have over the years expanded opportunities for our electrical and mechanical services businesses. The demand for these services is typically driven by non-residential construction and renovation activity.

Electrical and mechanical construction services primarily involve the design, integration, installation and start-up of: (a) electric power transmission and distribution systems, including power cables, conduits, distribution panels, transformers, generators, uninterruptible power supply systems and related switch gear and controls; (b) premises electrical and lighting systems, including fixtures and controls; (c) low-voltage systems, such as fire alarm, security and process control systems; (d) voice and data communications systems, including fiber-optic and low-voltage cabling; (e) roadway and transit lighting and fiber-optic lines; (f) heating, ventilation, air conditioning, refrigeration and clean-room process ventilation systems; (g) fire protection systems; (h) plumbing, process and high-purity piping systems; (i) water and wastewater treatment systems; and (j) central plant heating and cooling systems.

Electrical and mechanical construction services generally fall into one of two categories: (a) large installation projects with contracts often in the multi-million dollar range that involve construction of industrial and commercial buildings and institutional and public works facilities or the fit-out of large blocks of space within commercial buildings and (b) smaller installation projects typically involving fit-out, renovation and retrofit work.

Our United States electrical and mechanical construction services operations accounted for about 52% of our 2010 revenues, of which revenues of approximately 68% were related to new construction and approximately 32% were related to renovation and retrofit projects. Our United Kingdom and Canada electrical and mechanical construction services operations accounted for approximately 9% of our 2010 revenues, of which revenues of approximately 71% were related to new construction and approximately 29% were related to renovation and retrofit projects. We provide electrical and mechanical construction services for both large and small installation and renovation projects. Our largest projects have included those: (a) for institutional use (such as water and wastewater treatment facilities, hospitals, correctional facilities and research laboratories); (b) for industrial use (such as pharmaceutical plants, steel, pulp and paper mills, chemical, food, automotive and semiconductor manufacturing facilities and oil refineries); (c) for transportation projects (such as highways, airports and transit systems); (d) for commercial use (such as office buildings, data centers, hotels, casinos, convention centers, sports stadiums, shopping malls and resorts); and (e) for power generation and energy management projects. Our largest projects, which typically range in size from \$10.0 million up to and

occasionally exceeding \$150.0 million and are frequently multi-year projects, represented approximately 39% of our construction services revenues in 2010.

Our projects of less than \$10.0 million accounted for approximately 61% of our 2010 electrical and mechanical construction services revenues. These projects are typically completed in less than one year. They usually involve electrical and mechanical construction services when an end-user or owner undertakes construction or modification of a facility to accommodate a specific use. These projects frequently require electrical and mechanical systems to meet special needs such as critical systems power supply, fire protection systems, special environmental controls and high-purity air systems, sophisticated electrical and mechanical systems for data centers, trading floors in financial services businesses, new production lines in manufacturing plants and office arrangements in existing office buildings. They are not usually dependent upon the new construction market. Demand for these projects and types of services is often prompted by the expiration of leases, changes in technology, or changes in the customer's plant or office layout in the normal course of a customer's business.

We have a broad customer base with many long-standing relationships. We perform services pursuant to contracts with owners, such as corporations, municipalities and other governmental entities, general contractors, systems suppliers, construction managers, developers, other subcontractors and tenants of commercial properties. Institutional and public works projects are frequently long-term complex projects that require significant technical and management skills and the financial strength to obtain bid and performance bonds, which are often a condition to bidding for and winning these projects.

We also install and maintain lighting for streets, highways, bridges and tunnels, traffic signals, computerized traffic control systems, and signal and communication systems for mass transit systems in several metropolitan areas. In addition, in the United States, we manufacture and install sheet metal air handling systems for both our own mechanical construction operations and for unrelated mechanical contractors. We also maintain welding and pipe fabrication shops in support of some of our mechanical operations.

Our United States facilities services operations provide facilities services to a wide range of commercial, industrial and institutional facilities, including both those for which we have provided construction services and those for which construction services were provided by others. Facilities services are frequently bundled to provide integrated service packages and are provided on a mobile basis or by our employees based at customer sites. Through a recent acquisition of a government infrastructure project company headquartered in Jacksonville, Florida, we now offer diversified prime contracting services to federal and state government agencies and local municipalities.

These facilities services, which generated approximately 39% of our 2010 revenues, are provided to owners, operators, tenants and managers of all types of facilities both on a contract basis for a specified period of time and on an individual task order basis. Of our 2010 facilities services revenues, approximately 86% were generated in the United States and approximately 14% were generated internationally.

Our facilities services operations have built on our traditional electrical and mechanical services operations, facilities services activities at our electrical and mechanical contracting subsidiaries, and our client relationships, as well as acquisitions, to expand the scope of services being offered and to develop packages of services for customers on a regional and national basis.

Our United States facilities services segment offers a broad range of facilities services, including maintenance and service of electrical and mechanical systems, industrial maintenance and services, including outage services to utilities and industrial plants, commercial and government site-based operations and maintenance, military base operations support services, mobile maintenance and services, facilities management, installation and support for building systems, program development, management and maintenance of energy systems, technical consulting and diagnostic

services, infrastructure and building projects for federal, state and local governmental agencies and bodies, small modification and retrofit projects and retrofit projects to comply with clean air laws.

Demand for our facilities services is often driven by customers' decisions to focus on their own core competencies, customers' programs to reduce costs, the increasing technical complexity of their facilities and their mechanical, electrical, voice and data and other systems, and the need for increased reliability, especially in electrical and mechanical systems. These trends have led to outsourcing and privatization programs whereby customers in both the private and public sectors seek to contract out those activities that support, but are not directly associated with, the customer's core business. Clients of our facilities services business include the federal government, utilities, independent power producers, refineries, pulp and paper producers and major corporations engaged in information technology, telecommunications, pharmaceuticals, petrochemicals, financial services, publishing and other manufacturing.

In Washington D.C., we provide facilities services at a number of preeminent buildings, including those that house the Secret Service, the Federal Deposit Insurance Corporation, the World Bank, the Department of Veteran Affairs, and the Department of

Health and Human Services. We also provide facilities services to a number of military bases, including base operations support services to the Navy Capital Region, which, among other facilities, includes the Bethesda Naval Hospital, the Naval Research Laboratory and the Washington Navy Yard. We are also involved in joint ventures providing facilities services to the Navy, including one providing facilities services to the Naval Submarine Base in Bangor, Washington and the Naval Hospital in Bremerton, Washington. The agreements pursuant to which this division provides services to the federal government are subject to renegotiation of terms and prices by the government, termination by the government prior to the expiration of the term, and non-renewal.

Our facilities services operations also provide aftermarket maintenance and repair services, replacement parts and fabrication services for highly engineered shell and tube heat exchangers for refineries and the petrochemical industry. We provide in-shop repairs and customized design and manufacturing for heat exchangers, as well as related equipment on the U.S. Gulf Coast and at a facility in the Los Angeles, California area and provide cleaning services for heat exchangers at one of our Texas facilities. In addition, we provide aftermarket maintenance of shell and tube heat exchangers in the field. These services are tailored to meet customer needs for scheduled turnarounds or specialty callout service. We also have embedded multi-year contracts with refineries pursuant to which our crews and equipment are located at customers' plants, allowing our employees to perform specialty services for heat exchangers and related equipment on a daily basis.

We currently provide facilities services in a majority of the states in the United States and as part of our operations are responsible for: (a) the oversight of all or most of the facilities operations of a business, including operation and maintenance; (b) the oversight of logistical processes; (c) servicing, upgrade and retrofit of HVAC, electrical, plumbing and industrial piping and sheet metal systems in existing facilities; (d) diagnostic and solution engineering for building systems and their components; (e) maintenance and support services to manufacturers and power producers; and (f) shop and on-site field services for refineries and petrochemical plants.

Our facilities services operations also provide energy services, which include the design, construction and operation of energy related projects and facilities on a turnkey basis. Currently, we operate several central heating and cooling plants/power and cogeneration facilities and provide maintenance services for high-voltage and boiler systems under multi-year contracts. In addition, we provide consulting and national program energy management services under multi-year agreements and energy efficiency system retrofits.

Our United Kingdom subsidiary also has a division that focuses on facilities services. This division currently provides a broad range of facilities services under multi-year agreements to public and private sector customers, including airlines, airports, real estate property managers, manufacturers and governmental agencies.

We believe that our electrical and mechanical construction services and facilities services operations are complementary, permitting us to offer customers a comprehensive package of services. Our ability to offer construction services and facilities services enhances our competitive position with customers. Furthermore, our revenues from our facilities services operations tend to be less cyclical than our construction operations because facilities services are more responsive to the needs of an industry's operational requirements rather than its construction requirements.

Competition

We believe that the electrical and mechanical construction services business is highly fragmented and our competition includes thousands of small companies across the United States and around the world. We also compete with national, regional and local companies, many of which are small, owner-operated entities that carry on their businesses in a limited geographic area. However, there are a few United States based public companies focused on providing either electrical or mechanical construction services, such as Integrated Electrical Services, Inc. and Comfort Systems USA,

Inc. A majority of our revenues are derived from projects requiring competitive bids; however, an invitation to bid is often conditioned upon prior experience, technical capability and financial strength. Because we have total assets, annual revenues, net worth, access to bank credit and surety bonding and expertise significantly greater than most of our competitors, we believe we have a significant competitive advantage over our competitors in providing electrical and mechanical construction services. Competitive factors in the electrical and mechanical construction services business include: (a) the availability of qualified and/or licensed personnel; (b) reputation for integrity and quality; (c) safety record; (d) cost structure; (e) relationships with customers; (f) geographic diversity; (g) the ability to control project costs; (h) experience in specialized markets; (i) the ability to obtain surety bonding; (j) adequate working capital; (k) access to bank credit; and (l) price. However, there are relatively few significant barriers to entry to several types of our construction services business.

While the facilities services business is also highly fragmented with most competitors operating in a specific geographic region, a number of large United States based corporations such as Johnson Controls, Inc., Fluor Corp., UNICCO Service Company, the

Washington Division of URS Corporation, CB Richard Ellis, Inc., Jones Lang LaSalle and ABM Facility Services are engaged in this field, as are large original equipment manufacturers such as Carrier Corp. and Trane Air Conditioning. With respect to our industrial services operations, we are the leading North American provider of aftermarket maintenance and repair services, replacement parts and fabrication services for highly engineered shell and tube heat exchangers. The key competitive factors in the facilities services business include price, service, quality, technical expertise, geographic scope and the availability of qualified personnel and managers. Due to our size, both financial and geographic, and our technical capability and management experience, we believe we are in a strong competitive position in the facilities services business.

Employees

At December 31, 2010, we employed over 24,000 people, approximately 65% of whom are represented by various unions pursuant to more than 400 collective bargaining agreements between our individual subsidiaries and local unions. We believe that our employee relations are generally good. Only two of these collective bargaining agreements are national or regional in scope.

Backlog

We had backlog as of December 31, 2010 of approximately \$3.42 billion, compared with backlog of approximately \$3.15 billion as of December 31, 2009. Backlog increases with awards of new contracts and decreases as we perform work on existing contracts. Backlog is not a term recognized under United States generally accepted accounting principles; however, it is a common measurement used in our industry. Backlog includes unrecognized revenues to be realized from uncompleted construction contracts plus unrecognized revenues expected to be realized over the remaining term of the facilities services contracts. However, if the remaining term of a facilities services contract exceeds 12 months, the unrecognized revenues attributable to such contract included in backlog are limited to only the next 12 months of revenues.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, which we refer to as the "SEC". These filings are available to the public over the internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Our Internet address is www.emcorgroup.com. We make available free of charge on or through www.emcorgroup.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Our Board of Directors has an audit committee, a compensation and personnel committee, and a nominating and corporate governance committee. Each of these committees has a formal charter. We also have Corporate Governance Guidelines, which include guidelines regarding related party transactions, a Code of Ethics for our Chief Executive Officer and Senior Financial Officers, and a Code of Ethics and Business Conduct for Directors, Officers and Employees. Copies of these charters, guidelines and codes, and any waivers or amendments to such codes which are applicable to our executive officers, senior financial officers or directors, can be obtained free of charge from our web site, www.emcorgroup.com.

Edgar Filing: EMCOR GROUP INC - Form 10-K

In addition, you may request a copy of the foregoing filings (excluding exhibits), charters, guidelines and codes and any waivers or amendments to such codes which are applicable to our executive officers, senior financial officers or directors, at no cost by writing to us at EMCOR Group, Inc., 301 Merritt Seven, Norwalk, CT 06851-1092, Attention: Corporate Secretary, or by telephoning us at (203) 849-7800.

ITEM 1A. RISK FACTORS

Our business is subject to a variety of risks, including the risks described below as well as adverse business and market conditions and risks associated with foreign operations. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not known to us or not described below which we have not determined to be material may also impair our business operations. You should carefully consider the risks described below, together with all other information in this report, including information contained in the Business,

Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk sections. If any of the following risks actually occur, our business, financial condition and results of operations could be adversely affected, and we may not be able to achieve our goals. Such events may cause actual results to differ materially from expected and historical results, and the trading price of our common stock could decline.

The economic downturn has led to a reduction in demand for our construction services. Negative conditions in the credit markets may continue to adversely impact our ability to operate our business. The level of demand for construction services from our clients has been, and will likely continue to be, adversely impacted by the downturn in the industries we service, as well as in the economy in general. As the general level of economic activity has slowed, certain of our ultimate customers have delayed or cancelled, and may continue to delay or cancel, projects or capital spending, especially with respect to more profitable private sector work, and this downturn has adversely affected our ability to continue to grow and has resulted in a reduction in our revenues and profitability, and is likely to continue to adversely affect our revenues and profitability. A number of economic factors, including financing conditions for the industries we serve, have adversely affected, and may continue to adversely affect, our ultimate customers and their ability or willingness to fund capital expenditures in the future or pay for past services. General concerns about the fundamental soundness of domestic and foreign economies have caused and may continue to cause ultimate customers to defer projects even if they have credit available to them. Continuation or further worsening of financial and macroeconomic conditions could have a significant adverse effect on our revenues and profitability.

Many of our clients depend on the availability of credit to help finance their capital and maintenance projects. During 2009 and continued in 2010, the availability of credit tightened in spite of governmental efforts to increase liquidity and reduce interest rates. This situation has negatively impacted the ability of existing and prospective ultimate customers to fund projects we might otherwise perform, particularly those in the more profitable private sector. As a result, certain ultimate customers have deferred and others may defer such projects for an unknown, and perhaps lengthy, period. Such deferrals have inhibited our growth and adversely affected our results of operations and are likely to continue to have an adverse impact on our results of operations.

In a weak economic environment, particularly in a period of restrictive credit markets, we may experience greater difficulties in collecting payments from, and negotiating change orders and/or claims with, our clients due to, among other reasons, a diminution in our ultimate customers' access to the credit markets. If clients delay in paying or fail to pay a significant amount of our outstanding receivables, or we fail to successfully negotiate a significant portion of our change orders and/or claims with clients, it could have an adverse effect on our liquidity, results of operations and financial condition.

Our business is vulnerable to the cyclical nature of the markets in which our clients operate and is dependent upon the timing and funding of new awards. We provide construction and maintenance services to ultimate customers operating in a number of markets which have been, and we expect will continue to be, cyclical and subject to significant fluctuations due to a variety of factors beyond our control, including economic conditions and changes in client spending.

Regardless of economic or market conditions, investment decisions by our ultimate customers may vary by location or as a result of other factors like the availability of labor or relative construction costs. Because we are dependent on the timing and funding of new awards, we are therefore vulnerable to changes in our clients' markets and investment decisions. Our business has traditionally lagged recoveries in the general economy and, therefore, may not recover as quickly as the economy at large.

Our business may be affected by current government budget deficits. Significant budget deficits faced by the federal, state and local governments may result in their curtailment of future spending on government infrastructure projects and/or expenditures, from which expenditures some of our businesses derive a significant portion of revenue.

An increase in the prices of certain materials used in our businesses could adversely affect our businesses. We are exposed to market risk of fluctuations in certain commodity prices of materials, such as copper and steel, which are used as components of supplies or materials utilized in both our construction and facilities services operations. We are also exposed to increases in energy prices, particularly as they relate to gasoline prices for our fleet of over 8,000 vehicles. Most of our contracts do not allow us to adjust our prices and, as a result, increases in material or fuel costs could reduce our profitability with respect to projects in progress.

Our industry is highly competitive. Our industry is served by numerous small, owner-operated private companies, a few public companies and several large regional companies. In addition, relatively few barriers prevent entry into most of our businesses. As a

result, any organization that has adequate financial resources and access to technical expertise may become one of our competitors. Competition in our industry depends on numerous factors, including price. Certain of our competitors have lower overhead cost structures and, therefore, are able to provide their services at lower rates than we are currently able to provide. In addition, some of our competitors have greater resources than we do. We cannot be certain that our competitors will not develop the expertise, experience and resources necessary to provide services that are superior in quality and lower in price to ours. Similarly, we cannot be certain that we will be able to maintain or enhance our competitive position within the industry or maintain a customer base at current levels. We may also face competition from the in-house service organizations of existing or prospective customers, particularly with respect to facilities services. Many of our customers employ personnel who perform some of the same types of facilities services that we do. We cannot be certain that our existing or prospective customers will continue to outsource facilities services in the future.

We are a decentralized company, which presents certain risks. While we believe decentralization has enhanced our growth and enabled us to remain responsive to opportunities and to our customers' needs, it necessarily places significant control and decision-making powers in the hands of local management. This presents various risks, including the risk that we may be slower or less able to identify or react to problems affecting a key business than we would in a more centralized environment.

Our business may also be affected by adverse weather conditions. Adverse weather conditions, particularly during the winter season, could affect our ability to perform efficient work outdoors in certain regions of the United States, the United Kingdom and Canada. As a result, we could experience reduced revenues. In addition, cooler than normal temperatures during the summer months could reduce the need for our services, and we may experience reduced revenues and profitability during the period such unseasonal weather conditions persist.

Our business may be affected by the work environment. We perform our work under a variety of conditions, including but not limited to, difficult terrain, difficult site conditions and busy urban centers where delivery of materials and availability of labor may be impacted, clean-room environments where strict procedures must be followed, and sites which may have been exposed to environmental hazards. Performing work under these conditions can negatively affect efficiency and, therefore, our profitability.

Our dependence upon fixed price contracts could adversely affect our business. We currently generate, and expect to continue to generate, a significant portion of our revenues from fixed price contracts. We must estimate the total costs of a particular project to bid for fixed price contracts. The actual cost of labor and materials, however, may vary from the costs we originally estimated. These variations, along with other risks, inherent in performing fixed price contracts, may cause actual gross profits from projects to differ from those we originally estimated and could result in reduced profitability or losses on projects. Depending upon the size of a particular project, variations from the estimated contract costs can have a significant impact on our operating results for any fiscal quarter or year.

We could incur additional costs to cover guarantees. In some instances, we guarantee completion of a project by a specific date or price, achievement of certain performance standards or performance of our services at a certain standard of quality. If we subsequently fail to meet such guarantees, we may be held responsible for costs resulting from such failures. Such a failure could result in our payment of liquidated or other damages. To the extent that any of these events occur, the total costs of a project could exceed the original estimated costs, and we would experience reduced profits or, in some cases, a loss.

Many of our contracts, especially our facilities services contracts, may be canceled on short notice, and we may be unsuccessful in replacing such contracts if they are canceled or as they are completed or expire. We could experience a decrease in revenues, net income and liquidity if any of the following occur:

customers cancel a significant number of contracts;

we fail to win a significant number of our existing contracts upon re-bid;

we complete a significant number of non-recurring projects and cannot replace them with similar projects; or

we fail to reduce operating and overhead expenses consistent with any decrease in our revenues.

We may be unsuccessful in generating internal growth. Our ability to generate internal growth will be affected by, among other factors, our ability to:

expand the range of services offered to customers to address their evolving needs;

attract new customers; and

increase the number of projects performed for existing customers.

In addition, existing and potential customers have reduced, and may continue to reduce, the number or size of projects available to us due to their inability to obtain capital or pay for services provided or because of general economic conditions. Many of the

factors affecting our ability to generate internal growth are beyond our control, and we cannot be certain that our strategies will be successful or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. If we are not successful, we may not be able to achieve internal growth, expand operations or grow our business.

The departure of key personnel could disrupt our business. We depend on the continued efforts of our senior management. The loss of key personnel, or the inability to hire and retain qualified executives, could negatively impact our ability to manage our business. However, we have executive development and management succession plans in place in order to minimize any such negative impact.

We may be unable to attract and retain skilled employees. Our ability to grow and maintain productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We are dependent upon our project managers and field supervisors who are responsible for managing our projects; and there can be no assurance that any individual will continue in his or her capacity for any particular period of time, and the loss of such qualified employees could have an adverse effect on our business. We cannot be certain that we will be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our business strategy or that labor expenses will not increase as a result of a shortage in the supply of these skilled personnel. Labor shortages or increased labor costs could impair our ability to maintain our business or grow our revenues.

Our unionized workforce could adversely affect our operations. As of December 31, 2010, approximately 65% of our employees were covered by collective bargaining agreements. Although the majority of these agreements prohibit strikes and work stoppages, we cannot be certain that strikes or work stoppages will not occur in the future. However, only two of our collective bargaining agreements are national or regional in scope, and not all of our collective bargaining agreements expire at the same time. Strikes or work stoppages would adversely impact our relationships with our customers and could have a material adverse effect on our financial condition, results of operations and cash flows. We contribute to many multi-employer union pension funds based upon wages paid to our union employees. Under the Employee Retirement Income Security Act, we may become liable for our proportionate share of a multi-employer pension plan's underfunding, if we cease to contribute to that pension plan or significantly reduce the employees in respect of which we make contributions to that pension plan. See Note 15 Retirement Plans of the notes to consolidated financial statements for additional information regarding multi-employer pension plans.

Fluctuating foreign currency exchange rates impact our financial results. We have significant foreign operations in Canada and the United Kingdom, which in 2010 accounted, in the aggregate, for 14% of our revenues. Our reported financial condition and results of operations are exposed to the effects (both positive and negative) that fluctuating exchange rates have on the process of translating the financial statements of our international operations, which are denominated in local currencies, into the U.S. dollar.

Our failure to comply with environmental laws could result in significant liabilities. Our operations are subject to various laws, including environmental laws and regulations, among which many deal with the handling and disposal of asbestos and other hazardous or universal waste products, PCBs and fuel storage. A violation of such laws and regulations may expose us to various claims, including claims by third parties, as well as remediation costs and fines. We own and lease many facilities. Some of these facilities contain fuel storage tanks, which may be above or below ground. If these tanks were to leak, we could be responsible for the cost of remediation as well as potential fines. As a part of our business, we also install fuel storage tanks and are sometimes required to deal with hazardous materials, all of which may expose us to environmental liability.

In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or leaks, or the imposition of new clean-up requirements could require us to incur

significant costs or become the basis for new or increased liabilities that could harm our financial condition and results of operations, although certain of these costs might be covered by insurance. In some instances, we have obtained indemnification or covenants from third parties (including predecessors or lessors) for such clean-up and other obligations and liabilities that we believe are adequate to cover such obligations and liabilities. However, such third-party indemnities or covenants may not cover all of such costs or third-party indemnitors may default on their obligations. In addition, unanticipated obligations or liabilities, or future obligations and liabilities, may have a material adverse effect on our business operations. Further, we cannot be certain that we will be able to identify, or be indemnified for, all potential environmental liabilities relating to any acquired business.

Adverse resolution of litigation and other legal proceedings may harm our operating results or financial condition. We are a party to lawsuits and other legal proceedings, most of which are in the normal course of our business. Litigation and other legal proceedings can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular legal proceeding could have a material adverse effect on our business, operating results, financial condition, and in some cases, on our reputation or our ability to obtain projects from

customers, including governmental entities. See Item 3. Legal Proceedings, for more information regarding certain legal proceedings in which we are involved.

Opportunities within the government sector could lead to increased governmental regulation applicable to us and unrecoverable startup costs. Most government contracts are awarded through a regulated competitive bidding process. As we pursue increased opportunities in the government arena, particularly in our facilities services segment, management's focus associated with the start-up and bidding process may be diverted away from other opportunities. If we are to be successful in being awarded additional government contracts, a significant amount of costs could be required before any revenues are realized from these contracts. In addition, as a government contractor we are subject to a number of procurement rules and other regulations, any deemed violation of which could lead to fines or penalties or a loss of business. Government agencies routinely audit and investigate government contractors. Government agencies may review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. If government agencies determine through these audits or reviews that costs are improperly allocated to specific contracts, they will not reimburse the contractor for those costs or may require the contractor to refund previously reimbursed costs. If government agencies determine that we are engaged in improper activity, we may be subject to civil and criminal penalties and debarment or suspension from doing business with the government. Government contracts are also subject to renegotiation of profit by the government, termination by the government prior to the expiration of the term and non-renewal by the government.

A significant portion of our business depends on our ability to provide surety bonds. We may be unable to compete for or work on certain projects if we are not able to obtain the necessary surety bonds. Our construction contracts frequently require that we obtain from surety companies and provide to our customers payment and performance bonds as a condition to the award of such contracts. Such surety bonds secure our payment and performance obligations.

Surety market conditions have in recent years become more difficult due to the economy and the regulatory environment. Consequently, less overall bonding capacity is available in the market than in the past, and surety bonds have become more expensive and restrictive. Further, under standard terms in the surety market, surety companies issue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of additional collateral as a condition to issuing any bonds.

Current or future market conditions, as well as changes in our sureties' assessment of our or their own operating and financial risk, could cause our surety companies to decline to issue, or substantially reduce the amount of, bonds for our work and could increase our bonding costs. These actions can be taken on short notice. If our surety companies were to limit or eliminate our access to bonding, our alternatives would include seeking bonding capacity from other surety companies, increasing business with clients that do not require bonds and posting other forms of collateral for project performance, such as letters of credit or cash. We may be unable to secure these alternatives in a timely manner, on acceptable terms, or at all. Accordingly, if we were to experience an interruption or reduction in the availability of bonding capacity, we may be unable to compete for or work on certain projects.

We are effectively self-insured against many potential liabilities. Although we maintain insurance policies with respect to a broad range of risks, including automobile liability, general liability, workers' compensation and employee group health, these policies do not cover all possible claims and certain of the policies are subject to large deductibles. Accordingly, we are effectively self-insured for a substantial number of actual and potential claims. In addition, if any of our insurance carriers defaulted on its obligations to provide insurance coverage by reason of its insolvency or for other reasons, our exposure to claims would increase and our profits would be adversely affected. Our estimates for unpaid claims and expenses are based on known facts, historical trends and industry averages, utilizing the assistance of an actuary. We reflect these liabilities in our balance sheet as Other accrued expenses and liabilities and Other long-term obligations. The determination of such estimated liabilities and their appropriateness are reviewed and

updated at least quarterly. However, these liabilities are difficult to assess and estimate due to many relevant factors, the effects of which are often unknown, including the severity of an injury or damage, the determination of liability in proportion to other parties, the timeliness of reported claims, the effectiveness of our risk management and safety programs and the terms and conditions of our insurance policies. Our accruals are based upon known facts, historical trends and our reasonable estimate of future expenses, and we believe such accruals are adequate. However, unknown or changing trends, risks or circumstances, such as increases in claims, a weakening economy, increases in medical costs, changes in case law or legislation or changes in the nature of the work we perform, could render our current estimates and accruals inadequate. In such case, adjustments to our balance sheet may be required and these increased liabilities would be recorded in the period that the experience becomes known. Insurance carriers may be unwilling, in the future, to provide our current levels of coverage without a significant increase in insurance premiums and/or collateral requirements to cover our obligations to them. Increased collateral requirements may be in the form of additional letters of credit, and an increase in collateral requirements could significantly reduce our liquidity. If insurance premiums increase, and/or if insurance claims are higher than our estimates, our profitability could be adversely affected.

We may incur liabilities or suffer negative financial impact relating to occupational, health and safety matters. Our operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace. While we have invested, and will continue to invest, substantial resources in our robust occupational, health and safety programs, our industry involves a high degree of operational risk, and there can be no assurance that we will avoid significant liability exposure. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and other consequential damages and could lead to suspension of operations, large damage claims and, in extreme cases, criminal liability.

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

If we fail to integrate future acquisitions successfully, this could adversely affect our business and results of operations. As part of our growth strategy, we acquire companies that expand, complement and/or diversify our business. Future acquisitions may expose us to operational challenges and risks, including the diversion of management's attention from our existing business, the failure to retain key personnel or customers of an acquired business, the assumption of unknown liabilities of the acquired business for which there are inadequate reserves and the potential impairment of acquired identifiable intangible assets, including goodwill. Our ability to sustain our growth and maintain our competitive position may be affected by our ability to identify and acquire desirable businesses and successfully integrate any businesses acquired.

Our results of operations could be adversely affected as a result of goodwill and other identifiable intangible asset impairments. When we acquire a business, we record an asset called goodwill equal to the excess amount paid for the business, including liabilities assumed, over the fair value of the tangible and identifiable intangible assets of the business acquired. The Financial Accounting Standards Board (FASB) requires that all business combinations be accounted for using the acquisition method of accounting and that certain identifiable intangible assets acquired in a business combination be recognized as assets apart from goodwill. FASB Accounting Standard Codification (ASC) Topic 350, Intangibles Goodwill and Other (ASC 350) provides that goodwill and other identifiable intangible assets that have indefinite useful lives not be amortized, but instead must be tested at least annually for impairment, and identifiable intangible assets that have finite useful lives should continue to be amortized over their useful lives and be tested for impairment whenever facts and circumstances indicate that the carrying values may not be fully recoverable. ASC 350 also provides specific guidance for testing goodwill and other non-amortized identifiable intangible assets for impairment, which we test annually each October 1. ASC 350 requires management to make certain estimates and assumptions to allocate goodwill to reporting units and to determine the fair value of reporting unit net assets and liabilities. Such fair value is determined using discounted estimated future cash flows. Our development of the present value of future cash flow projections is based upon assumptions and estimates by management from a review of our operating results, business plans, anticipated growth rates and margins and the weighted average cost of capital, among others. Much of the information used in assessing fair value is outside the control of management, such as interest rates, and these assumptions and estimates can change in future periods. There can be no assurance that our estimates and assumptions made for purposes of our goodwill and identifiable intangible asset impairment testing will prove to be accurate predictions of the future. If our assumptions regarding business plans or anticipated growth rates and/or margins are not achieved, or there is a rise in interest rates, we may be required, as we were in the second and third quarters of 2010 and in the fourth quarter of 2009, to record goodwill and/or identifiable intangible asset impairment charges in future periods, whether in connection with our next annual impairment testing on October 1, 2011 or earlier, if an indicator of an impairment is present prior to the quarter in which the annual goodwill impairment test is to be performed. It is not possible at this time to determine if any such additional impairment charge would result or, if it does, whether such a charge would be material to our results of operations.

An interim impairment review of our goodwill in the third quarter of 2010 resulted in a \$210.6 million non-cash goodwill impairment charge within our United States facilities services segment. An interim impairment review of our indefinite lived intangible assets in the second and third quarters of 2010 resulted in an additional \$35.5 million non-cash impairment charge as a result of a change in the fair value of various trade names associated with certain prior year acquisitions reported within our United States facilities services segment. Additionally, we performed our annual impairment test as of October 1, and no additional impairment of our goodwill, trade names and/or other identifiable intangible assets was recognized for any of our reporting segments in the fourth quarter of 2010.

Amounts included in our backlog may not result in actual revenues or translate into profits. Many of the contracts in our backlog do not require the purchase of a minimum amount of services. In addition, many contracts are subject to cancellation or suspension on short notice at the discretion of the client, and the contracts in our backlog are subject to changes in the scope of services to be provided as well as adjustments to the costs relating to the contract. We have historically experienced variances in the components of backlog related to project delays or cancellations resulting from weather conditions, external market factors and economic factors beyond our control, and we may experience more delays or cancellations in the future than in the past due to the

current economic slowdown. The risk of contracts in backlog being cancelled or suspended generally increase during periods of widespread slowdowns. Accordingly, there is no assurance that backlog will actually be realized. If our backlog fails to materialize, we could experience a reduction in revenues and a decline in profitability, which could result in a deterioration of our financial condition and liquidity.

We account for the majority of our construction projects using the percentage-of-completion method of accounting; therefore, variations of actual results from our assumptions may reduce our profitability. We recognize revenues on construction contracts using the percentage-of-completion method of accounting in accordance with ASC Topic 605-35, Revenue Recognition – Construction-Type and Production-Type Contracts . See Application of Critical Accounting Policies in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations. Under the percentage-of-completion method of accounting, we record revenue as work on the contract progresses. The cumulative amount of revenues recorded on a contract at a specified point in time is that percentage of total estimated revenues that costs incurred to date bear to estimated total costs. Accordingly, contract revenues and total cost estimates are reviewed and revised as the work progresses. Adjustments are reflected in contract revenues in the period when such estimates are revised. Estimates are based on management’s reasonable assumptions and experience, but are only estimates. Variations of actual results from assumptions on an unusually large project or on a number of average size projects could be material. We are also required to immediately recognize the full amount of the estimated loss on a contract when estimates indicate such a loss. Such adjustments and accrued losses could result in reduced profitability, which could negatively impact our cash flow from operations.

The loss of one or a few customers could have an adverse effect on us. A few clients have in the past and may in the future account for a significant portion of our revenues in any one year or over a period of several consecutive years. Although we have long-standing relationships with many of our significant clients, our clients may unilaterally reduce or discontinue their contracts with us at any time. A loss of business from a significant client could have a material adverse effect on our business, financial condition, and results of operations.

Certain provisions of our corporate governance documents could make an acquisition of us, or a substantial interest in us, more difficult. The following provisions of our certificate of incorporation and bylaws, as currently in effect, as well as Delaware law, could discourage potential proposals to acquire us, delay or prevent a change in control of us, or limit the price that investors may be willing to pay in the future for shares of our common stock:

our certificate of incorporation permits our board of directors to issue blank check preferred stock and to adopt amendments to our bylaws;

our bylaws contain restrictions regarding the right of our stockholders to nominate directors and to submit proposals to be considered at stockholder meetings;

our certificate of incorporation and bylaws restrict the right of our stockholders to call a special meeting of stockholders and to act by written consent; and

we are subject to provisions of Delaware law, which prohibit us from engaging in any of a broad range of business transactions with an interested stockholder for a period of three years following the date such stockholder becomes classified as an interested stockholder.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our operations are conducted primarily in leased properties. The following table lists facilities over 25,000 square feet, both leased and owned, and identifies the business segment that is the principal user of each such facility.

	Approximate Square Feet	Lease Expiration Date, Unless Owned
Corporate Headquarters		
301 Merritt Seven Norwalk, Connecticut	38,650	6/30/18
Operating Facilities		
4050 Cotton Center Boulevard Phoenix, Arizona (a)	30,603	10/31/15
1200 North Sickles Drive Tempe, Arizona (b)	29,000	Owned
601 South Vincent Avenue Azusa, California (c)	36,456	10/31/11
20545 Belshaw Avenue Carson, California (a)	29,227	8/31/12
1168 Fesler Street El Cajon, California (b)	67,560	8/31/20
17925 South Broadway Gardena, California (b)	27,040	6/3/11
24041 Amador Street Hayward, California (b)	40,000	10/31/11
25601 Clawiter Road Hayward, California (b)	34,800	6/30/14
2 Cromwell Irvine, California (a)	49,503	4/30/18
4462 Corporate Center Drive Los Alamitos, California (c)	57,863	9/30/14
825 Howe Road Martinez, California (c)	109,795	12/31/12
19800 Normandie Avenue Torrance, California (a)	36,264	3/31/14
8670 Younger Creek Drive Sacramento, California (b)	54,135	1/13/12
940 Remillard Court San Jose, California (a)	119,560	7/31/17
5525 Gaines Street San Diego, California (c)	27,000	12/31/11
9505 and 9525 Chesapeake Drive San Diego, California (c)	25,124	12/31/11
4405 and 4420 Race Street Denver, Colorado (b)	31,340	9/30/16

Edgar Filing: EMCOR GROUP INC - Form 10-K

345 Sheridan Boulevard Lakewood, Colorado (c) 166 Tunnel Road	63,000	Owned
Vernon, Connecticut (a) 9820 Satellite Boulevard	27,000	12/31/18
Orlando, Florida (a) 3145 Northwoods Parkway	49,440	12/31/15
Norcross, Georgia (c)	25,808	1/31/12

	Approximate Square Feet	Lease Expiration Date, Unless Owned
400 Lake Ridge Drive Smyrna, Georgia (a)	30,000	9/30/12
3100 Woodcreek Drive Downers Grove, Illinois (c)	55,551	7/31/17
1406 West Cardinal Court Urbana, Illinois (b)	161,956	9/30/12
7614 and 7720 Opportunity Drive Fort Wayne, Indiana (b)	136,695	10/31/18
2655 Garfield Street Highland, Indiana (c)	57,765	6/30/14
3100 and 3116 Brinkerhoff Road Kansas City, Kansas (b)	44,840	11/30/11
631 Pecan Circle Manhattan, Kansas (b)	34,719	8/31/13
4250 Highway 30 St. Gabriel, Louisiana (a)	90,000	Owned
1750 Swisco Road Sulphur, Louisiana (a)	112,000	Owned
4530 Hollins Ferry Road Baltimore, Maryland (b)	26,792	Owned
1999-2000 Halethorpe Avenue Halethorpe, Maryland (b)	48,000	1/20/12
80 Hawes Way Stoughton, Massachusetts (a)(b)	36,621	6/10/13
Tax Assessor Parcel: 162-30-801-006,007 Clark County, Nevada (b)	83,635	5/14/11
3555 West Oquendo Road Las Vegas, Nevada (c)	90,000	11/30/11
206 McGaw Drive Edison, New Jersey (c)	39,344	4/30/20
348 New County Road Secaucus, New Jersey (b)	37,905	12/31/12
301 and 305 Suburban Avenue Deer Park, New York (b)	33,535	4/30/11
569-573 Brook Avenue Deer Park, New York (b)	50,000	Month-To-Month
111-01 14th Avenue College Point, New York (c)	253,291	2/28/21
Two Penn Plaza New York, New York (c)	54,570	1/31/16
704 Clinton Avenue South Rochester, New York (a)	30,000	7/31/11
2900 Newpark Drive Barberton, Ohio (b)	91,831	11/1/17

Edgar Filing: EMCOR GROUP INC - Form 10-K

200 Smally Road Cincinnati, Ohio (a)	28,040	6/30/15
3976 Southern Avenue Cincinnati, Ohio (b)	44,815	3/31/18
10,15,17 and 21 West Voorhees Street Cincinnati, Ohio (a)	31,118	9/30/11

	Approximate Square Feet	Lease Expiration Date, Unless Owned
2300 International Street Columbus, Ohio (c)	25,500	10/31/12
5711-5805 South West Hood Avenue Portland, Oregon (c)	29,158	12/31/15
91 Mayview Road Lawrence, Pennsylvania (a)	44,468	2/7/15
9815 Roosevelt Boulevard Philadelphia, Pennsylvania (a)	33,405	11/30/21
6045 East Shelby Drive Memphis, Tennessee (a)	53,618	4/30/18
937 Pine Street Beaumont, Texas (a)	78,962	Owned
895 North Main Street Beaumont, Texas (a)	75,000	Owned
410 Flato Road Corpus Christi, Texas (a)	57,000	Owned
5550 Airline Drive and 25 Tidwell Road Houston, Texas (b)	157,544	12/31/14
12415 Highway 225 La Porte, Texas (a)	78,000	Owned
1574 South West Temple Salt Lake City, Utah (c)	120,904	Month-To-Month
2455 West 1500 South Salt Lake City, Utah (c)	58,339	4/30/18
2800 Crystal Drive Arlington, Virginia (a)	28,554	7/31/17
109 Executive Drive Dulles, Virginia (c)	41,007	8/31/16
22930 Shaw Road Dulles, Virginia (c)	32,616	2/28/15
3280 Formex Road Richmond, Virginia (b)	30,640	7/31/13
8657 South 190th Street Kent, Washington (b)	46,125	7/30/13
6950 Gisholt Drive Madison, Wisconsin (b)	32,020	5/31/12
615 South 89th Street Milwaukee, Wisconsin and		
9100 West Conrad Street West Allis, Wisconsin (b)	38,000	5/31/20
400 Parkdale Avenue North Hamilton, Ontario, Canada (d)	48,826	5/24/11

We believe that our property, plant and equipment are well maintained, in good operating condition and suitable for the purposes for which they are used.

See Note 16 Commitments and Contingencies of the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data for additional information regarding lease costs. We utilize substantially all of our leased or owned facilities and believe there will be no difficulty either in negotiating the renewal of our real property leases as they expire or in finding alternative space, if necessary.

- (a) Principally used by a company engaged in the United States facilities services segment.
- (b) Principally used by a company engaged in the United States mechanical construction and facilities services segment.
- (c) Principally used by a company engaged in the United States electrical construction and facilities services segment.
- (d) Principally used by a company engaged in the Canada construction segment.

ITEM 3. LEGAL PROCEEDINGS

On March 14, 2003, John Mowlem Construction plc (Mowlem) presented a claim in arbitration against our United Kingdom subsidiary, EMCOR Group (UK) plc (formerly named EMCOR Drake & Scull Group plc) (D&S), in connection with a subcontract D&S entered into with Mowlem with respect to a project for the United Kingdom Ministry of Defence at Abbey Wood in Bristol, U.K. Mowlem seeks damages arising out of alleged defects in the D&S design and construction of the electrical and mechanical engineering services for the project. Mowlem's claim is for 38.5 million British pounds sterling (approximately \$60.0 million), which includes costs allegedly incurred by Mowlem in connection with rectification of the alleged defects, overhead, legal fees, delay and disruption costs related to such defects, and interest on such amounts. The claim also includes amounts in respect of liabilities that Mowlem accepted in connection with a settlement agreement it entered into with the Ministry of Defence and which it claims are attributable to D&S. D&S believes it has good and meritorious defenses to the Mowlem claim. D&S has denied liability and has asserted a counterclaim for approximately 11.6 million British pounds sterling (approximately \$18.1 million) for certain design, labor and delay and disruption costs incurred by D&S in connection with its subcontract with Mowlem for work performed through 1996.

We are involved in other proceedings in which damages and claims have been asserted against us. We believe that we have a number of valid defenses to such proceedings and claims and intend to vigorously defend ourselves. We do not believe that any such matters will have a materially adverse effect on our financial position, results of operations or liquidity.

ITEM 4. (REMOVED AND RESERVED)

EXECUTIVE OFFICERS OF THE REGISTRANT

Anthony J. Guzzi, Age 46; President since October 25, 2004 and Chief Executive Officer since January 3, 2011. From October 25, 2004 to January 2, 2011, Mr. Guzzi served as Chief Operating Officer of the Company. From August 2001, until he joined the Company, Mr. Guzzi served as President of the North American Distribution and Aftermarket Division of Carrier Corporation (Carrier). Carrier is a manufacturer and distributor of commercial and residential HVAC and refrigeration systems and equipment and a provider of after-market services and components of its own products and those of other manufacturers in both the HVAC and refrigeration industries.

Sheldon I. Cammaker, Age 71; Executive Vice President and General Counsel of the Company since September 1987 and Secretary of the Company since May 1997. Prior to September 1987, Mr. Cammaker was a senior partner of the New York City law firm of Botein, Hays & Sklar.

R. Kevin Matz, Age 52; Executive Vice President Shared Services of the Company since December 2007 and Senior Vice President Shared Services from June 2003 to December 2007. From April 1996 to June 2003, Mr. Matz served as Vice President and Treasurer of the Company and Staff Vice President Financial Services of the Company from March 1993 to April 1996.

Mark A. Pompa, Age 46; Executive Vice President and Chief Financial Officer of the Company since April 3, 2006. From June 2003 to April 2, 2006, Mr. Pompa was Senior Vice President Chief Accounting Officer of the Company, and from June 2003 to January 2007, Mr. Pompa was also Treasurer of the Company. From September 1994 to June 2003, Mr. Pompa was Vice President and Controller of the Company.

PART II

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

Market Information. Our common stock trades on the New York Stock Exchange under the symbol EME .

The following table sets forth high and low sales prices for our common stock for the periods indicated as reported by the New York Stock Exchange:

2010	High	Low
First Quarter	\$ 27.95	\$ 22.06
Second Quarter	\$ 29.80	\$ 22.93
Third Quarter	\$ 27.69	\$ 22.29
Fourth Quarter	\$ 29.92	\$ 24.15
2009	High	Low
First Quarter	\$ 23.64	\$ 13.44
Second Quarter	\$ 23.75	\$ 16.50
Third Quarter	\$ 26.38	\$ 17.88
Fourth Quarter	\$ 27.85	\$ 22.17

Holders. As of February 22, 2011, there were approximately 102 stockholders of record and, as of that date, we estimate there were approximately 42,257 beneficial owners holding our common stock in nominee or street name.

Dividends. We did not pay dividends on our common stock during 2010 or 2009, and we do not anticipate that we will pay dividends on our common stock in the foreseeable future. Our revolving credit facility limits the payment of dividends on our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans. The following table summarizes, as of December 31, 2010, equity compensation plans that were approved by stockholders and equity compensation plans that were not approved by stockholders. The information in the table and in the Notes thereto has been adjusted for 2-for-1 stock splits effected on July 9, 2007 and February 10, 2006.

Equity Compensation Plan Information

A	B	C
		Number of Securities Remaining Available for Future Issuance under Equity Compensation

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Plans (Excluding Securities Reflected in Column A)
Equity Compensation Plans Approved by Security Holders	2,555,829	\$ 14.64(1)	3,090,000(2)
Equity Compensation Plans Not Approved by Security Holders	2,226,132(3)	\$ 11.57	
Total	4,781,961	\$ 13.21	3,090,000

- (1) Included within this amount are 365,188 restricted stock units that will be issued pursuant to our Long-Term Incentive Plan. The weighted average exercise price would have been \$17.09 had the weighted average exercise price calculation excluded such restricted stock units.
- (2) Represents shares of our common stock available for future issuance under our 2010 Incentive Plan, which may be issuable in respect of options and/or stock appreciation rights granted under the Plan and/or may also be issued pursuant to the award of restricted stock, unrestricted stock and/ or awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, our common stock.
- (3) 2,194,132 shares relate to outstanding options to purchase shares of our common stock, which were granted to our executive officers (the Executive Options) and 32,000 shares relate to outstanding options to purchase shares of our common stock, which were granted to our Directors (the Director Options).

Stock Options. The following stock options, which have been adjusted for two 2-for-1 stock splits, one effected on July 9, 2007 and the other on February 10, 2006, were awarded pursuant to equity compensation programs that were not approved by stockholders.

Executive Options

2,088,132 of the Executive Options referred to in note (2) to the Table were granted to six of our then executive officers in connection with employment agreements with us, which employment agreements were dated January 1, 2002 (the 2002 Employment Agreements) and have since expired, and 106,000 of the Executive Options were granted to Mr. Anthony Guzzi, our President and Chief Executive Officer, when he joined us in October 2004. Of these Executive Options, (i) an aggregate of 418,000 of such Executive Options were granted on December 14, 2001 with an exercise price of \$10.43 per share, (ii) an aggregate of 392,800 of such Executive Options were granted on January 2, 2002 with an exercise price of \$11.59 per share, (iii) an aggregate of 507,740 of such Executive Options were granted on January 2, 2003 with an exercise price of \$13.69 per share, (iv) an aggregate of 769,592 of such Executive Options were granted on January 2, 2004 with an exercise price of \$10.96 per share and (v) 106,000 of such Executive Options were granted to Mr. Guzzi on October 25, 2004 with an exercise price of \$9.67 per share. The Executive Options referred to above in clause (i) were exercisable in full on the grant date; the Executive Options referred to above in clauses (ii), (iii) and (iv) provided that they were exercisable as follows: one-fourth on the grant date, one-fourth on the first anniversary of the grant date, one-fourth on the second anniversary of the grant date and one-fourth on the last business day of the calendar year immediately preceding the third anniversary of the grant date. During 2004, the out-of-the-money Executive Options referred to in clauses (iii) and (iv) were vested in full in anticipation of a change in accounting rules requiring the expensing of stock options beginning in January 2006. The options granted to Mr. Guzzi became exercisable in three equal annual installments, commencing with the first anniversary of the date of grant.

Each of the Executive Options granted have a term of ten years from their respective grant dates and an exercise price per share equal to the fair market value of a share of common stock on their respective grant dates.

Director Options

During 2002, each of our non-employee directors who then served as a director received 8,000 Director Options. These options were in addition to the 12,000 options to purchase our common stock that were granted on June 19, 2002 to each such non-employee director under our 1995 Non-Employee Directors Non-Qualified Stock Option Plan, which plan has been approved by our stockholders. The price at which such Director Options are exercisable is equal to the fair market value per share of common stock on the grant date. The exercise price per share of the Director Options is \$13.88 per share, except those granted to Mr. Michael T. Yonker, upon his election to the Board on October 25, 2002, which have an exercise price of \$12.94 per share. All of these options became exercisable commencing with the grant date and have a term of ten years from the grant date.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from our audited financial statements and should be read in conjunction with the consolidated financial statements, the related notes thereto and the report of our independent registered public accounting firm thereon included elsewhere in this and in previously filed annual reports on Form 10-K of EMCOR.

See Note 3 Acquisitions of Businesses of the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data for a discussion regarding acquisitions. The results of operations for 2007 and 2006 reflect discontinued operations accounting due to the sale of our interest in a consolidated joint venture in 2007 and the sale of a subsidiary in 2006.

Income Statement Data

(In thousands, except per share data)

	Years Ended December 31,				
	2010	2009	2008	2007	2006
Revenues	\$ 5,121,285	\$ 5,547,942	\$ 6,785,242	\$ 5,927,152	\$ 4,901,783
Gross profit	719,544	824,900	886,651	702,822	552,400
Impairment loss on goodwill and identifiable intangible assets	246,081	13,526			
Operating (loss) income	(28,686)	262,425	302,577	199,825	111,772
Net (loss) income attributable to EMCOR Group, Inc.	\$ (86,691)	\$ 160,756	\$ 182,204	\$ 126,808	\$ 86,634
Basic (loss) earnings per common share:					
From continuing operations	\$ (1.31)	\$ 2.44	\$ 2.79	\$ 1.93	\$ 1.35
From discontinued operations				0.04	0.02
	\$ (1.31)	\$ 2.44	\$ 2.79	\$ 1.97	\$ 1.37
Diluted (loss) earnings per common share:					
From continuing operations	\$ (1.31)	\$ 2.38	\$ 2.71	\$ 1.86	\$ 1.30
From discontinued operations				0.04	0.02
	\$ (1.31)	\$ 2.38	\$ 2.71	\$ 1.90	\$ 1.32

Balance Sheet Data

(In thousands)

As of December 31,

Edgar Filing: EMCOR GROUP INC - Form 10-K

	2010	2009	2008	2007	2006
Equity (1)	\$ 1,162,845	\$ 1,226,466	\$ 1,050,769	\$ 891,734	\$ 724,150
Total assets	\$ 2,755,542	\$ 2,981,894	\$ 3,030,443	\$ 2,887,000	\$ 2,089,023
Goodwill	\$ 406,804	\$ 593,628	\$ 582,714	\$ 563,918	\$ 288,165
Borrowings under revolving credit facility	\$ 150,000	\$	\$	\$	\$
Term loan, including current maturities	\$	\$ 194,750	\$ 197,750	\$ 225,000	\$
Other long-term debt, including current maturities	\$ 24	\$	\$ 41	\$ 93	\$ 332
Capital lease obligations, including current maturities	\$ 1,649	\$ 601	\$ 2,313	\$ 2,151	\$ 1,566

(1) No cash dividends on the Company's common stock have been declared or paid during the past five years.

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

We are one of the largest electrical and mechanical construction and facilities services firms in the United States, Canada, the United Kingdom and in the world. We provide services to a broad range of commercial, industrial, utility and institutional customers through over 70 operating subsidiaries and joint venture entities. Our offices are located in the United States, Canada and the United Kingdom. In the Middle East, we previously carried on business through a joint venture. We sold our interest in that joint venture in June 2010.

Overview

The following table presents selected financial data for the fiscal years ended December 31, 2010, 2009 and 2008 (in millions, except percentages and per share data):

	2010	2009	2008
Revenues	\$ 5,121.3	\$ 5,547.9	\$ 6,785.2
Revenues (decrease) increase from prior year	(7.7)%	(18.2)%	14.5%
Impairment loss on goodwill and identifiable intangible assets	\$ 246.1	\$ 13.5	\$
Operating (loss) income	\$ (28.7)	\$ 262.4	\$ 302.6
Operating (loss) income as a percentage of revenues	(0.6)%	4.7%	4.5%
Net (loss) income attributable to EMCOR Group, Inc.	\$ (86.7)	\$ 160.8	\$ 182.2
Diluted (loss) earnings per common share	\$ (1.31)	\$ 2.38	\$ 2.71
Net cash provided by operating activities	\$ 68.7	\$ 359.1	\$ 335.0

Despite signs of a possible economic recovery, we continue to see a hesitation by many of our customers to commit to capital and maintenance projects particularly in the private nonresidential building and refinery markets. In addition, we continue to experience a very competitive marketplace where there are a significant number of bidders willing to work at extremely low margins on any given project. Consequently, we tempered our expectations regarding the strength of a near term recovery in our United States facilities services segment and recorded a non-cash impairment charge of \$246.1 million during 2010. This non-cash impairment charge was comprised of \$210.6 million for goodwill and \$35.5 million for certain of our trade names. Because of these non-cash impairment charges, lower margin work and a decline in demand, our 2010 results reflected an overall decline in our revenues and operating results compared to 2009.

The decrease in revenues for 2010, when compared to 2009, was primarily attributable to: (a) a decline in work performed on domestic industrial construction projects and a continued decline in work performed on commercial and hospitality construction projects, generally as a result of the economic slowdown, and our decision to only accept work that we believe can be performed at reasonable margins, (b) continued lower revenues from our international operations for similar reasons and (c) a decline in organic revenues arising from our United States facilities services segment due to the economic slowdown. During 2010, companies we acquired in 2010 and 2009, that are within our United States facilities services segment, contributed \$66.3 million to revenues and \$1.3 million to operating income (net of \$2.3 million of amortization expense attributable to identifiable intangible assets included in cost of sales and selling, general and administrative expenses).

The decrease in operating income and operating margin (operating income as a percentage of revenues) for 2010, when compared to 2009, was primarily a result of: (a) the non-cash impairment charge discussed above, (b) lower operating income from our United States electrical construction and facilities services segment, (c) an operating loss from significant project write-downs at our Canadian operations and (d) lower operating income from our United States facilities services segment. This decrease in operating income was partially offset by: (a) the favorable resolution of uncertainties on certain construction projects at or nearing completion within our domestic construction segments, (b) the favorable resolution of an historical legal claim on a healthcare construction project within our United States mechanical construction and facilities services segment and (c) reduced selling, general and administrative expenses primarily as a result of a reduction in our provision for doubtful accounts due to favorable settlements of amounts previously determined to be uncollectible and lower employment costs. Net cash provided by operating activities of \$68.7 million in 2010 decreased, when compared to 2009, primarily due to lower operating results, changes in our working capital, including a reduction in accruals for payroll and benefits and a one-time contribution of \$25.9 million to a defined benefit pension plan of our United Kingdom subsidiary.

We completed two acquisitions during 2010, each for an immaterial amount. One company provides mobile mechanical services and the other primarily performs government infrastructure contracting services. Both companies have been included in our

United States facilities services reporting segment and expand our service capabilities into geographical areas and/or markets in which we have not previously operated. These acquisitions are not material to our results of operations for the years presented.

Operating Segments

Our reportable segments reflect certain reclassifications of prior year amounts from our United States mechanical construction and facilities services segment to our United States facilities services segment due to changes in our internal reporting structure.

We have the following reportable segments which provide services associated with the design, integration, installation, start-up, operation and maintenance of various systems: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; low-voltage systems, such as fire alarm, security and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration and clean-room process ventilation; fire protection; plumbing, process and high-purity piping; water and wastewater treatment; and central plant heating and cooling); (c) United States facilities services; (d) Canada construction; (e) United Kingdom construction and facilities services; and (f) Other international construction and facilities services. The segment United States facilities services principally consists of those operations which provide a portfolio of services needed to support the operation and maintenance of customers facilities (industrial maintenance and services; outage services to utilities and industrial plants; commercial and government site-based operations and maintenance; military base operations support services; mobile maintenance and services; facilities management; installation and support for building systems; program development, management and maintenance for energy systems; technical consulting and diagnostic services; infrastructure and building projects for federal, state and local governmental agencies and bodies; small modification and retrofit projects; and retrofit projects to comply with clean air laws), which services are not generally related to customers construction programs, as well as industrial services operations, which primarily provide aftermarket maintenance and repair services, replacement parts and fabrication services for highly engineered shell and tube heat exchangers for refineries and the petrochemical industry. The Canada construction segment performs electrical construction and mechanical construction. The United Kingdom and Other international construction and facilities services segments perform electrical construction, mechanical construction and facilities services. Our Other international construction and facilities services segment consisted of our equity interest in a Middle East venture, which we sold in June 2010.

Discussion and Analysis of Results of Operations

Revenues

As described in more detail below, revenues for 2010 were \$5.1 billion compared to \$5.5 billion for 2009 and \$6.8 billion for 2008. The decrease in revenues for 2010 compared to 2009, excluding the effect of acquisitions, extended across all of our business segments and was primarily attributable to: (a) lower levels of work in both our United States electrical construction and facilities services segment and our United States mechanical construction and facilities services segment, most notably with respect to industrial construction projects and a continued decline in work performed on commercial and hospitality construction projects, (b) continued lower revenues from our international operations, (c) lower revenues from our United States facilities services segment, particularly within our industrial services and our organic mobile mechanical services operations, and (d) the effect of unfavorable exchange rates for the British pound versus the United States dollar. This decrease in revenues was partially offset by revenues of \$66.3 million attributable to companies acquired in 2010 and 2009, which are reported in our United States facilities services segment, and the effect of favorable exchange rates for the Canadian dollar versus the United States

dollar. Revenues decreased in 2009 compared to 2008 primarily due to: (a) the economic slowdown and restrictive credit markets, which resulted in (i) lower levels of work in our United States electrical construction and facilities services and mechanical construction and facilities services segments, most notably on commercial and hospitality construction projects, (ii) lower revenues from our United States facilities services segment, most notably from our mobile mechanical services and our industrial services operations and (iii) lower revenues from our international operations and (b) the effect of unfavorable exchange rates for the British pound and Canadian dollar versus the United States dollar. This decrease was partially offset by revenues of \$107.8 million attributable to companies acquired in 2009 and 2008, which are reported within our United States facilities services and United States mechanical construction and facilities services segments.

As of December 31, 2010, our backlog was \$3.42 billion, and as of December 31, 2009, our backlog was \$3.15 billion. Backlog increases with awards of new contracts and decreases as we perform work on existing contracts. The increase in backlog as of December 31, 2010, compared to such backlog at December 31, 2009, was attributable to our international and our United States facilities services segments, offset by a decrease in backlog attributable to our United States electrical construction and facilities services and our United States mechanical construction and facilities services segments. Backlog is not a term recognized under

United States generally accepted accounting principles; however, it is a common measurement used in our industry. Backlog includes unrecognized revenues to be realized from uncompleted construction contracts plus unrecognized revenues expected to be realized over the remaining term of facilities services contracts. However, if the remaining term of a facilities services contract exceeds 12 months, the unrecognized revenues attributable to such contract included in backlog are limited to only the next 12 months of revenues.

The following table presents our revenues by each of our operating segments and the approximate percentages that each segment's revenues were of total revenues for the years ended December 31, 2010, 2009 and 2008 (in millions, except for percentages):

	2010	% of Total	2009	% of Total	2008	% of Total
Revenues from unrelated entities:						
United States electrical construction and facilities services	\$ 1,158.9	23%	\$ 1,273.7	23%	\$ 1,700.5	25%
United States mechanical construction and facilities services	1,708.4	33%	1,959.9	35%	2,420.0	36%
United States facilities services	1,522.3	30%	1,493.6	27%	1,574.2	23%
Total United States operations	4,389.6	86%	4,727.2	85%	5,694.7	84%
Canada construction	269.3	5%	320.2	6%	424.5	6%
United Kingdom construction and facilities services	462.4	9%	500.5	9%	666.0	10%
Other international construction and facilities services						
Total worldwide operations	\$ 5,121.3	100%	\$ 5,547.9	100%	\$ 6,785.2	100%

Revenues from our United States electrical construction and facilities services segment for 2010 decreased by \$114.8 million compared to 2009. The decrease in revenues for 2010 compared to 2009 was primarily attributable to lower levels of work on industrial construction projects, most notably in the Northern California and Pacific Northwest markets, and on commercial and transportation construction projects. Additionally, the decrease in revenues was partially attributable to a continued decline in work on hospitality construction projects, principally in the Las Vegas market. These decreases are a result of the current economic downturn and our decision to only accept work that we believe can be performed at reasonable margins. The decrease in revenues was partially offset by an increase in revenues from water/wastewater, healthcare and institutional construction projects. Revenues were \$1,273.7 million in 2009 compared to \$1,700.5 million in 2008. This decrease in 2009 was primarily attributable to lower levels of work on commercial, hospitality, industrial and institutional construction projects, most notably in the New York, greater Chicago area (including northern Indiana), Las Vegas, and Washington D.C. markets, as a result of the economic downturn and tight credit markets.

Revenues from our United States mechanical construction and facilities services segment for 2010 were \$1,708.4 million, a 12.8% decrease compared to revenues of \$1,959.9 million for 2009. The decrease in revenues for 2010 compared to 2009 was primarily attributable to reduced work on industrial, commercial and healthcare construction projects as a result of the current economic downturn and our decision to only accept work that we believe can be performed at reasonable margins. Additionally, the decrease in revenues was attributable to a decline in

work on water/wastewater construction projects in the South Florida market and a continued decline in work on hospitality construction projects in the Las Vegas market. Revenues for 2009 decreased by \$460.1 million compared to 2008. This decrease in 2009 was primarily attributable to a decrease in work on hospitality construction projects, most notably in the Las Vegas market, and on commercial construction projects. The decrease in revenues was partially offset by an increase in revenues from work performed on industrial, institutional and healthcare construction projects. Additionally, the decrease in revenues was partially offset by revenues of \$2.2 million from a company acquired in 2008.

Our United States facilities services segment revenues were \$1,522.3 million in 2010 compared to \$1,493.6 million in 2009. The increase in revenues for 2010 compared to 2009 was primarily attributable to revenues of \$66.3 million from companies acquired in 2010 and 2009, which perform mobile mechanical services and government infrastructure contracting services, and from an increase in revenues at our government and commercial site-based facilities services operations. This increase in revenues was partially offset by a continued decline in revenues from: (a) our industrial services operation, which has been adversely affected by a lower demand for our refinery and petrochemical services as a result of capital project curtailments and deferred maintenance, and (b) the organic operations within our mobile mechanical services operation, primarily as a result of fewer discretionary projects attributable to economic conditions. Revenues from this segment decreased by \$80.6 million in 2009 compared to 2008. This decrease was primarily attributable to lower revenues from (a) our industrial services operations, (i) which benefited in 2008 from a significant turnaround/expansion contract at a refinery and (ii) which declined due to a dramatic decline in the demand for refined

products which resulted in lower demand for our shop and field refinery and petrochemical services and (b) our mobile mechanical services operation as a result of lower revenues from small discretionary projects, controls work and repair service due to the economic downturn and the cooler than normal summer in some of our major markets. This decrease in 2009 revenues was partially offset by: (a) revenues of \$105.6 million from companies acquired in 2009 and 2008, which perform maintenance services for utility and industrial plants and perform mobile mechanical services and (b) increases in revenues from our site-based government facilities services operations.

Our Canada construction segment revenues were \$269.3 million in 2010 compared to \$320.2 million in 2009. The decrease in revenues for 2010 was attributable to a decrease in revenues from energy and commercial construction projects due to the continued effect of the economic slowdown. This decrease in revenues was partially offset by an increase of \$27.3 million relating to the effect of favorable exchange rates for the Canadian dollar versus the United States dollar. Revenues decreased by \$104.3 million in 2009 compared to 2008. This decrease in 2009 was primarily attributable to fewer energy and industrial (including automotive) construction projects. In addition, \$23.1 million of this decrease in revenues was a result of the effect of unfavorable exchange rates for the Canadian dollar versus the United States dollar. The decrease in revenues was partially offset by more work on commercial and healthcare construction projects.

Our United Kingdom construction and facilities services segment revenues decreased by \$38.1 million in 2010 compared to 2009. This decline in revenues was attributable to a decrease in revenues from institutional construction projects, partially offset by an increase in revenues from commercial construction projects. The decrease in revenues for 2010 was also attributable to a decrease of \$6.7 million relating to the effect of unfavorable exchange rates for the British pound versus the United States dollar. Revenues were \$500.5 million in 2009 compared to \$666.0 million in 2008. Approximately \$92.0 million of this decrease in 2009 revenues was a result of the effect of unfavorable exchange rates for the British pound versus the United States dollar. In addition, this decrease in revenues was partially attributable to (a) a decrease in revenues relating to rail contracts as a result of the planned strategy to exit this market and (b) a decline in our United Kingdom's construction business, partially offset by an increase in revenues from our United Kingdom's facilities services business.

Other international construction and facilities services activities consisted of a venture in the Middle East. The results of the venture were accounted for under the equity method of accounting. In June 2010, we sold our equity interest in our Middle East venture to our partner in the venture. As a result of this sale, we received \$7.9 million and recognized a pretax gain in this amount, which is classified as a *Gain on sale of equity investment* on the Consolidated Statement of Operations.

Cost of sales and Gross profit

The following table presents cost of sales, gross profit (revenues less cost of sales), and gross profit margin (gross profit as a percentage of revenues) for the years ended December 31, 2010, 2009 and 2008 (in millions, except for percentages):

	2010	2009	2008
Cost of sales	\$ 4,401.7	\$ 4,723.0	\$ 5,898.6
Gross profit	\$ 719.5	\$ 824.9	\$ 886.7
Gross profit margin	14.1%	14.9%	13.1%

Our gross profit decreased by \$105.4 million for 2010 compared to 2009. The decrease in gross profit was primarily attributable to reduced organic volume across all of our business segments and lower margins at: (a) our United States

electrical construction and facilities services segment, (b) our industrial services and organic mobile mechanical services operations within our United States facilities services segment and (c) our Canada construction segment. The decrease in gross profit was also attributable to a decrease of \$1.0 million relating to the effect of unfavorable exchange rates for the British pound versus the United States dollar. The overall decrease in gross profit was partially offset by: (a) the favorable resolution of uncertainties on certain construction projects at or nearing completion in the United States mechanical construction and facilities services segment, (b) the favorable resolution of an historical legal claim on a healthcare construction project within our United States mechanical construction and facilities services segment, (c) improved gross profit from our commercial and government site-based operations within our United States facilities services segment, (d) companies acquired in 2010 and 2009 within our United States facilities services segment, which contributed \$5.6 million to gross profit, net of amortization expense of \$1.6 million, and (e) an increase of \$3.2 million relating to the effect of favorable exchange rates for the Canadian dollar versus the United States dollar. In addition, the decrease in gross profit was partially offset by: (a) an increase in gross profit contributed by our energy services operation within our United States facilities services segment, primarily as a result of the recognition of a pretax gain of \$4.5 million from the sale of our interest in a venture, which gain is classified as a component of Cost of sales on the Consolidated Statements of Operations, and (b) gross profit attributable to the termination of a contract within our United Kingdom construction and facilities services segment.

Our gross profit margin was 14.1% for 2010 compared to 14.9% for 2009. The decrease in gross profit margin was primarily the result of: (a) lower gross profit margins at our United States electrical construction and facilities services segment as a result of lower margins on new work performed, (b) lower gross profit margins at our industrial services and organic mobile mechanical services operations within our United States facilities services segment, (c) lower gross profit margins at our Canadian operations due to significant project write-downs and (d) an increase in institutional work which generally has lower margins than private sector work. In addition, 2009 was more positively affected by the favorable resolution of uncertainties on certain construction projects at or nearing completion in our United States electrical construction and facilities services segment compared to 2010. The decrease in gross profit margin 2010 was partially offset by higher gross profit margins at our United States mechanical construction and facilities services segment, primarily as a result of: (a) the favorable resolution of uncertainties on certain construction projects at or nearing completion and (b) the favorable resolution of an historical legal claim on a healthcare construction project.

Our gross profit decreased by \$61.8 million for 2009 compared to 2008. The decrease in gross profit was primarily attributable to a reduction in gross profit due to: (a) lower levels of work from (i) our industrial services and mobile mechanical operations within our United States facilities services segment and (ii) our United States electrical construction and facilities services and mechanical construction and facilities services segments and (b) the effect of unfavorable exchange rates for the British pound and Canadian dollar versus the United States dollar. The overall decrease in gross profit was partially offset by: (a) a \$7.0 million non-cash impairment charge in 2008 related to an other-than-temporary decline in fair value of our investment in a venture in our United States facilities services segment and (b) a \$4.2 million reduction in amortization expense recorded in cost of sales associated with the intangible asset for contract backlog in 2009 within our United States facilities services and United States mechanical construction and facilities services segments. For 2009, companies acquired in 2009 and 2008 contributed \$10.4 million to gross profit, net of amortization expense of \$2.9 million.

Our gross profit margin was 14.9% for 2009 compared to 13.1% for 2008. The increase in the gross profit margin was primarily the result of: (a) improved margins within our domestic construction segments as a result of the favorable resolution of uncertainties on projects at or nearing completion and improved productivity, (b) the turnaround in the performance of one of our operations, which had experienced large operating losses in 2008 within our United States mechanical construction and facilities services segment, (c) a \$4.2 million decrease of amortization expense recorded in cost of sales associated with the intangible asset for contract backlog in 2009 within our United States facilities services and United States mechanical construction and facilities services segments and (d) the improved performance of our international operations. In addition, the increase in the gross profit margin was partially attributable to a charge to expense in 2008 of \$7.9 million in connection with a lawsuit (the UOSA Action) within our United States mechanical construction and facilities services segment. (The UOSA Action was concluded in the third quarter of 2009, and as a consequence, we paid approximately \$0.7 million to the other party to the litigation.) These increases were partially offset by lower gross profit margin in our United States facilities services segment, primarily as a result of lower margins in our industrial services operations.

Selling, general and administrative expenses

The following table presents selling, general and administrative expenses, and selling, general and administrative expenses as a percentage of revenues, for the years ended December 31, 2010, 2009 and 2008 (in millions, except for percentages):

	2010	2009	2008
Selling, general and administrative expenses	\$ 497.8	\$ 542.9	\$ 582.3

Selling, general and administrative expenses as a percentage of revenues	9.7%	9.8%	8.6%
--	------	------	------

Our selling, general and administrative expenses decreased by \$45.1 million for 2010 compared to 2009 primarily due to: (a) reduced employee costs, such as salaries, commissions and incentive compensation, primarily as a result of the downsizing of staff at numerous locations in 2009 and lower operating results and (b) a reduction in our provision for doubtful accounts due to favorable settlements of amounts previously determined to be uncollectible. These decreases were partially offset by: (a) \$4.3 million of expenses directly related to companies acquired in 2010 and 2009, including amortization expense of \$0.7 million and (b) a \$2.5 million increase due to the effect of exchange rates for the Canadian dollar versus the United States dollar. Selling, general and administrative expenses as a percentage of revenues decreased for 2010 compared to 2009, primarily due to lower selling, general and administrative expenses.

Our selling, general and administrative expenses decreased by \$39.4 million for 2009 compared to 2008 primarily due to: (a) lower employee related costs, such as salaries and employee benefits, as a result of downsizing of staff at numerous locations, (b) lower incentive compensation expense as a result of reduced earnings and lower staff levels in 2009 compared to 2008, (c) lower discretionary spending, such as travel and entertainment and marketing expenses, (d) a \$7.3 million and \$1.8 million decrease due to the effect of unfavorable exchange rates for the British pound and Canadian dollar versus the United States dollar, respectively, and

(e) a \$4.5 million decrease in our provision for doubtful accounts consistent with an overall reduction in accounts receivable. These decreases in selling, general and administrative expenses were partially offset by: (a) \$7.5 million of expenses directly related to companies acquired in 2009 and 2008, including amortization expense of \$1.6 million and (b) an increase in legal and rent expenses. In addition, in 2009 compared to 2008, selling, general and administrative expenses were unfavorably affected by changes in the value of our phantom stock units, which vary with our stock price. Certain of the phantom stock units were settled in cash during the first quarters of 2009 and 2008, and no units are currently outstanding. Selling, general and administrative expenses as a percentage of revenues increased in 2009 compared to 2008, primarily due to lower revenues in 2009.

Restructuring expenses

Restructuring expenses, primarily relating to employee severance obligations and leased facilities, were \$4.3 million, \$6.0 million and \$1.8 million for 2010, 2009 and 2008, respectively. The 2010 restructuring expenses were primarily attributable to our Canadian operations and our United States electrical construction and facilities services segment. The 2009 restructuring expenses were primarily related to our Canadian and UK operations, while the 2008 restructuring expenses were primarily related to our UK operations. As of December 31, 2010, 2009 and 2008, the balance of our severance obligations was \$1.0 million, \$1.7 million and \$0.5 million, respectively. The severance obligations outstanding as of December 31, 2009 and 2008 were paid during 2010 and 2009, respectively. The severance obligations outstanding as of December 31, 2010 will be paid in 2011.

Impairment loss on goodwill and identifiable intangible assets

During the third quarter of 2010 and prior to our October 1 annual impairment, we concluded that impairment indicators may have existed within the United States facilities services segment based upon the year to date results and recent forecasts at that time. As a result of that conclusion, we performed the applicable tests as prescribed by the accounting literature and recognized a \$226.2 million non-cash impairment charge in 2010. Of this amount, \$210.6 million related to goodwill and \$15.6 million related to trade names. Additionally, during the second quarter of 2010, we recorded a \$19.9 million non-cash impairment charge related to trade names. The impairment primarily results from both lower forecasted revenues from and operating margins at our United States facilities services segment, which has been adversely affected by industry conditions. These impairments did not have any impact on our compliance with our debt covenants or on our cash flows. Additionally, we performed our annual impairment test as of October 1, and no additional impairment of our goodwill, trade names and/or other identifiable intangible assets was recognized for any of our reporting segments in the fourth quarter of 2010.

In conjunction with our 2009 annual impairment test on October 1, we recognized a \$13.5 million non-cash impairment charge related to trade names and customer relationships. Of this amount, \$11.2 million related to trade names within the United States facilities services segment and \$2.3 million related to trade names and customer relationships within the United States mechanical construction and facilities services segment. No impairment of goodwill was recognized for the years ended December 31, 2009 and 2008. Additionally, no impairment of trade names and/or other identifiable intangible assets was recognized for the year ended December 31, 2008.

Operating (loss) income

The following table presents our operating (loss) income (gross profit less selling, general and administrative expenses, restructuring expenses, and impairment loss on goodwill and identifiable intangible assets) by segment, and each segment's operating (loss) income as a percentage of such segment's revenues from unrelated entities, for the years ended December 31, 2010, 2009 and 2008 (in millions, except for percentages):

	2010	% of Segment Revenues	2009	% of Segment Revenues	2008	% of Segment Revenues
Operating (loss) income:						
United States electrical construction and facilities services	\$ 70.4	6.1%	\$ 114.5	9.0%	\$ 114.4	6.7%
United States mechanical construction and facilities services	131.3	7.7%	129.7	6.6%	127.6	5.3%
United States facilities services	60.0	3.9%	73.7	4.9%	103.7	6.6%
Total United States operations	261.7	6.0%	317.9	6.7%	345.7	6.1%
Canada construction	0.3	0.1%	15.4	4.8%	10.9	2.6%
United Kingdom construction and facilities services	15.7	3.4%	12.0	2.4%	14.4	2.2%
Other international construction and facilities services	(0.1)		(0.1)		(0.7)	
Corporate administration	(55.9)		(63.3)		(65.9)	
Restructuring expenses	(4.3)		(6.0)		(1.8)	
Impairment loss on goodwill and identifiable intangible assets	(246.1)		(13.5)			
Total worldwide operations	(28.7)	(0.6)%	262.4	4.7%	302.6	4.5%
Other corporate items:						
Interest expense	(12.2)		(7.9)		(11.8)	
Interest income	2.7		4.7		9.9	
Gain on sale of equity investment	7.9					
(Loss) income before income taxes	\$ (30.3)		\$ 259.3		\$ 300.7	

As described in more detail below, we experienced an operating loss of \$28.7 million for 2010, compared to operating income of \$262.4 million for 2009 and \$302.6 million for 2008. The 2010 operating loss was due to the impairment loss on goodwill and identifiable intangible assets of \$246.1 million.

Our United States electrical construction and facilities services segment operating income for 2010 decreased by \$44.1 million compared to 2009. The decrease in operating income in 2010 compared to 2009 was primarily the result of lower gross profit from commercial and industrial construction projects, as a result of the current economic slowdown and our selectivity in bidding on contracts. The decrease in operating income for 2010 was partially offset by an increase in the gross profit from water/wastewater construction projects. Selling, general and administrative expenses also decreased for 2010 compared to 2009, principally due to reduced employee costs, such as salaries, incentive compensation and employee benefits, primarily as a result of the downsizing of staff at numerous locations in 2009 and lower operating results. The decrease in operating margin for 2010 was primarily the result of a reduction

in gross profit margin. Operating income improved by \$0.1 million for 2009 compared to 2008. The increase in operating income in 2009 compared to 2008 was primarily the result of an increase in gross profit from industrial and transportation construction projects as a result of the favorable resolution of uncertainties on projects at or nearing completion. This increase was offset by lower gross profit from commercial, hospitality and institutional construction projects. Selling, general and administrative expenses also decreased for 2009 compared to 2008 principally due to lower employee costs, such as salaries and employee benefits, primarily as a result of downsizing of staff at numerous locations and a decrease in the provision for doubtful accounts consistent with a reduction in accounts receivable, partially offset by an increase in legal expenses associated with the resolution of construction claims. The increase in the operating margin for 2009 is primarily the result of increased gross profit margin.

Our United States mechanical construction and facilities services segment operating income for 2010 was \$131.3 million, a \$1.6 million increase compared to 2009. The increase in operating income in 2010 compared to 2009 was primarily due to the decrease in selling, general and administrative expenses, principally due to reduced employee costs, such as salaries and incentive

compensation, primarily as a result of the downsizing of staff at numerous locations in 2009, as well as a reduction in the provision for doubtful accounts due to favorable settlements of amounts previously determined to be uncollectible. The increase in operating income was also due to: (a) the favorable resolution of uncertainties on certain construction projects at or nearing completion, particularly in the hospitality markets, and (b) the favorable resolution of an historical legal claim on a healthcare construction project. The increase in operating income for 2010 compared to 2009 was partially offset by lower gross profit from commercial, industrial and water/wastewater construction projects, as a result of the current economic slowdown and our selectivity in bidding on contracts. The increase in operating margin for 2010 was primarily the result of increased gross profit margin due to the favorable resolution of matters discussed above. Operating income for 2009 increased by \$2.1 million compared to 2008. The increase in operating income in 2009 compared to 2008 was primarily due to: (a) increased gross profits from industrial, healthcare and institutional construction projects and the turnaround in the performance of one of our operations, which had experienced large operating losses in 2008, (b) a charge to expense in 2008 of \$7.9 million in connection with the UOSA Action and (c) a \$1.0 million reduction in amortization expense associated with identifiable intangible assets in 2009 compared to 2008. This increase was partially offset by notably lower gross profit due to a decline in commercial and hospitality construction projects, primarily in the Las Vegas market, as a result of the current economic slowdown. Selling, general and administrative expenses were lower primarily due to lower employee costs, such as salaries, employee benefits, and incentive compensation, primarily as a result of downsizing of staff at numerous locations, lower discretionary spending, such as travel and entertainment and professional fees, and a decrease in the provision for doubtful accounts consistent with a reduction in accounts receivable. The increase in operating margin for 2009 is primarily the result of increased gross profit margin.

Our United States facilities services segment operating income for 2010 was \$60.0 million, a \$13.7 million decrease compared to 2009. The decrease in operating income for 2010 compared to 2009 was primarily due to lower operating income from: (a) our industrial services operation which has been adversely affected by a lower demand for our refinery and petrochemical services as a result of capital project curtailments and deferred maintenance and lower gross profit margins and (b) our organic mobile mechanical services operation as a result of fewer discretionary projects due to the continued effects of the economic slowdown and lower gross profit margins, primarily as a result of lower margins on recently acquired projects. The decrease in operating income for 2010 was partially offset by improved results from our commercial and government site-based operations and operating income from companies acquired in 2010 and 2009, which perform mobile mechanical services and government infrastructure contracting services and contributed \$1.3 million of operating income, net of amortization expense of \$2.3 million. In addition, these decreases were partially offset by an increase in operating income for 2010 from our energy services operation, primarily as a result of the recognition of a pretax gain of \$4.5 million from the sale of our interest in a venture, which gain is classified as a component of Cost of sales on the Consolidated Statements of Operations. Selling, general and administrative expenses decreased by \$8.0 million for 2010 compared to 2009, excluding the increase of \$4.3 million of selling, general and administrative expenses associated with companies acquired in 2010 and 2009, including amortization expense of \$0.7 million, due to reduced employee costs, such as salaries and commissions, primarily as a result of the downsizing of staff at numerous locations in 2009 and due to lower revenues. In addition, the decrease was due to a reduction in our provision for doubtful accounts. These decreases were partially offset by increased professional fees. The decrease in operating margin for 2010 was primarily the result of a reduction in gross profit margin. Operating income for 2009 was \$73.7 million compared to \$103.7 million for 2008. The decrease in operating income for 2009 compared to 2008 was primarily due to lower operating income from (a) our industrial service operations, (i) which benefited in 2008 from a significant turnaround/expansion contract at a refinery and (ii) which declined due to a dramatic decline in the demand for refined products which resulted in lower demand for our shop and field refinery and petrochemical services and (b) our mobile mechanical services operation as a result of reduced small discretionary projects, controls work and repair services due to the economic downturn and the cooler than normal summer in some of our major markets. The decrease in operating income in 2009 was partially offset by: (a) operating income from companies acquired in 2009 and 2008, which contributed \$3.0 million of operating income, net of amortization expense of \$4.4 million, and which perform maintenance services at utility and industrial plants

and perform mobile mechanical services, (b) a \$3.4 million reduction in amortization expense associated with identifiable intangible assets in 2009 and (c) an increase in operating income from our site-based government facilities services operations. Selling, general and administrative expenses decreased by \$10.7 million in 2009 compared to 2008, excluding the increase of \$7.3 million of selling, general and administrative expenses associated with the companies acquired in 2009 and 2008, including amortization expense of \$1.6 million, due to lower incentive compensation expense and professional fees and a decrease in the provision for doubtful accounts consistent with a reduction in accounts receivable. Negatively impacting operating income in 2008 was a \$7.0 million impairment charge related to an other-than-temporary decline in fair value of our investment in a venture, which has been reflected as a component of Cost of sales on the Consolidated Statements of Operations.

Our Canada construction segment operating income for 2010 was \$0.3 million compared to operating income of \$15.4 million in 2009. The decrease in operating income for 2010 compared to 2009 was primarily attributable to: (a) significant project write-downs on a construction project and (b) a decrease in gross profit from industrial (including automotive) and energy construction

projects. The decrease in operating income for 2010 was partially offset by an increase in gross profit from healthcare construction projects. The decrease in operating margin for 2010 was primarily the result of a reduction in gross profit margin and an increase in the ratio of selling, general and administrative expense to revenues. Operating income improved by \$4.5 million for 2009 compared to 2008. The operating income improvement for 2009 compared to 2008 was primarily due to the improved results from energy and industrial (including automotive) construction projects and reduced selling, general and administrative expenses as a result of a reduction in employees. These increases were partially offset by reduced operating income from healthcare construction projects and a \$1.3 million decrease relating to the effect of unfavorable exchange rates for the Canadian dollar versus the United States dollar. Despite the reduction in selling, general and administrative expenses in 2009, these expenses, as a percentage of revenues, increased year over year due to lower revenues in 2009.

Our United Kingdom construction and facilities services segment operating income for 2010 increased by \$3.7 million compared to 2009. The increase in operating income for 2010 compared to 2009 was primarily attributable to the decrease in the actuarially determined pension costs associated with the curtailment of our United Kingdom defined pension plan and the favorable gross profit associated with the termination of a contract. These increases were partially offset by a decrease of \$0.6 million relating to the effect of unfavorable exchange rates for the British pound versus the United States dollar. The increase in operating margin for 2010 was brought about by a combination of increased gross profit margins and a decrease in selling, general and administrative expenses as a percentage of revenues. Operating income for 2009 was \$12.0 million compared to \$14.4 million in 2008. The decrease in operating income for 2009 compared to 2008 was primarily attributable to: (a) a decrease of \$2.2 million relating to the effect of unfavorable exchange rates for the British pound versus the United States dollar and (b) an increase in the actuarially determined pension costs associated with our United Kingdom defined pension plan. These decreases were partially offset by an increase in operating income at the United Kingdom's construction business and as a result of the wind down of the rail division in 2009 as compared to 2008.

The Other international construction and facilities services segment operating loss was approximately \$0.1 million, \$0.1 million and \$0.7 million for 2010, 2009 and 2008, respectively. In June 2010, we sold our equity interest in our Middle East venture to our partner in the venture. As a result of this sale, we received \$7.9 million and recognized a pretax gain in this amount, which is classified as a *Gain on sale of equity investment* on the Consolidated Statements of Operations.

Our corporate administration expenses were \$55.9 million for 2010 compared to \$63.3 million in 2009. The decrease in expenses for 2010 compared to 2009 was primarily attributable to a continued decrease in incentive compensation, marketing and advertising expenses, as well as lower professional fees. Our corporate administration expenses for 2009 decreased by \$2.6 million compared to 2008. The decrease in expenses for 2009 compared to 2008 was primarily attributable to: (a) a decrease in marketing and advertising expenses, (b) lower incentive compensation expense and (c) a decrease in expenses related to meetings and conferences. In addition, our corporate administration costs in 2009 compared to 2008 were unfavorably impacted by the changes in the value of our phantom stock units, which vary with our stock price. Certain of the phantom stock units were settled in cash during the first quarters of 2009 and 2008, and no units are currently outstanding.

Non-operating items

Interest expense was \$12.2 million, \$7.9 million and \$11.8 million for 2010, 2009 and 2008, respectively. The \$4.3 million increase in interest expense for 2010 compared to 2009 was due to higher cost of borrowing and the acceleration of expense for debt issuance costs associated with the termination of a term loan and a revolving credit facility. The \$3.9 million decrease in interest expense for 2009 compared to 2008 was related to the reduction in long-term indebtedness and lower interest rates as compared to 2008.

Interest income was \$2.7 million, \$4.7 million and \$9.9 million for 2010, 2009 and 2008, respectively. The decreases in interest income were primarily related to lower interest rates earned on our invested cash balances.

The \$7.9 million Gain on sale of equity investment in 2010 was attributable to the June 2010 sale of our equity interest in our Middle East venture to our partner in the venture, the operating results of which have been reported in our Other international construction and facilities services segment.

For joint ventures that have been accounted for using the consolidation method of accounting, noncontrolling interest represents the allocation of earnings to our joint venture partners who either have a minority-ownership interest in the joint venture or are not at risk for the majority of losses of the joint venture.

Our 2010 income tax provision was \$52.4 million compared to \$96.2 million for 2009 and \$116.6 million for 2008 based on effective income tax rates, before the tax effect of non-cash impairment charges, of approximately 36.8%, 37.4% and 39.0%,

respectively. The actual income tax rates for the year ended December 31, 2010, 2009 and 2008, inclusive of non-cash impairment charges, were (152.8)%, 37.4% and 39.0%, respectively.

The Company recognized a non-cash goodwill impairment charge of approximately \$210.6 million during 2010. Approximately \$34.0 million of this impairment is deductible for income tax purposes. The remaining \$176.6 million of this impairment is not deductible for income tax purposes. As shown above, this non-deductible portion significantly impacts the effective income tax rate for 2010.

Our 2009 income tax provision was \$96.2 million. The decrease in our 2009 income tax provision was primarily due to reduced income before income taxes compared to 2008. Our 2008 income tax provision was \$116.6 million.

Liquidity and Capital Resources

The following table presents net cash provided by (used in) operating activities, investing activities and financing activities for the years ended December 31, 2010 and 2009 (in millions):

	2010	2009
Net cash provided by operating activities	\$ 68.7	\$ 359.1
Net cash used in investing activities	\$ (32.7)	\$ (52.6)
Net cash (used in) provided by financing activities	\$ (47.2)	\$ 1.7
Effect of exchange rate changes on cash and cash equivalents	\$ (4.9)	\$ 12.9

Our consolidated cash balance decreased by approximately \$16.1 million from \$727.0 million at December 31, 2009 to \$710.8 million at December 31, 2010. Net cash provided by operating activities for 2010 of \$68.7 million, compared to \$359.1 million in net cash provided by operating activities for 2009, was primarily due to lower operating results, changes in our working capital, including a reduction in accruals for payroll and benefits and a one-time contribution of \$25.9 million to a defined benefit pension plan of our United Kingdom subsidiary. Net cash used in investing activities was \$32.7 million for 2010 compared to \$52.6 million used in 2009. This decrease was primarily due to \$25.6 million of proceeds from the sale of equity investments, a \$7.9 million decrease in investments in and advances to unconsolidated entities and joint ventures, a \$4.7 million decrease in amounts paid for the purchase of property, plant and equipment, and a \$4.4 million decrease in payments pursuant to earn-out agreements, offset by a \$22.6 million increase in payments for acquisitions of businesses. Net cash used in financing activities for 2010 of \$47.2 million, compared to net cash provided by financing activities for 2009 of \$1.7 million, was primarily attributable to repayment of our term loan and debt issuance costs, partially offset by borrowings under our new revolving credit facility. The non-cash impairment charges did not have any impact on our compliance with our debt covenants or on our cash flows.

Our consolidated cash and cash equivalents balance increased by approximately \$321.1 million from \$405.9 million at December 31, 2008 to \$727.0 million at December 31, 2009. The \$359.1 million in net cash provided by operating activities for 2009 increased by \$24.1 million compared to the \$335.0 million in cash provided by operating activities in 2008, primarily due to a reduction in our accounts receivable balances and other changes in our working capital. Net cash used in investing activities of \$52.6 million for 2009 decreased \$71.6 million compared to \$124.1 million used in investing activities for 2008 primarily due to a \$67.7 million decrease in payments for acquisitions of businesses, identifiable intangible assets and payments pursuant to related earn-out agreements. Net cash provided by financing activities of \$1.7 million for 2009 compared to \$25.0 million used in financing activities in 2008 was primarily due to repayment of a portion of our long-term indebtedness in 2008.

Edgar Filing: EMCOR GROUP INC - Form 10-K

The following is a summary of material contractual obligations and other commercial commitments (in millions):

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Revolving Credit Facility (including interest at 3.01%) (1)	\$ 159.6	\$ 4.6	\$ 155.0	\$	\$
Capital lease obligations	1.9	0.6	0.9	0.4	
Operating leases	191.9	51.6	67.8	41.7	30.8
Open purchase obligations (2)	780.9	642.8	125.3	12.8	
Other long-term obligations, including current portion (3)	213.5	31.9	167.7	13.9	
Liabilities related to uncertain income tax positions	8.8	6.7	1.8	0.3	
Total Contractual Obligations	\$ 1,356.6	\$ 738.2	\$ 518.5	\$ 69.1	\$ 30.8

Other Commercial Commitments	Amount of Commitment Expirations by Period				
	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	After 5 years
Letters of credit	\$ 82.4	\$ 82.4	\$	\$	\$

- (1) We classify these borrowings as long-term on our consolidated balance sheets because of our intent to repay the amounts on a long-term basis. These amounts are outstanding at our discretion and are not payable until the 2010 Revolving Credit Facility expires in February 2013. As of December 31, 2010, there were borrowings of \$150.0 million outstanding under the 2010 Revolving Credit Facility.
- (2) Represents open purchase orders for material and subcontracting costs related to construction and service contracts. These purchase orders are not reflected in EMCOR's consolidated balance sheets and should not impact future cash flows, as amounts should be recovered through customer billings.
- (3) Represents primarily insurance related liabilities and liabilities for deferred income taxes, incentive compensation and earn-out arrangements, classified as other long-term liabilities in the consolidated balance sheets. Cash payments for insurance related liabilities may be payable beyond three years, but it is not practical to estimate these payments. We provide funding to our pension plans based on at least the minimum funding required by applicable regulations. In determining the minimum required funding, we utilize current actuarial assumptions and exchange rates to forecast estimates of amounts that may be payable for up to five years in the future. In our judgment, minimum funding estimates beyond a five year time horizon cannot be reliably estimated, and therefore, have not been included in the table.

Until February 4, 2010, we had a revolving credit agreement (the Old Revolving Credit Facility) as amended, which provided for a credit facility of \$375.0 million. Effective February 4, 2010, we replaced the Old Revolving Credit Facility that was due to expire October 17, 2010 with an amended and restated \$550.0 million revolving credit facility (the 2010 Revolving Credit Facility). The 2010 Revolving Credit Facility expires in February 2013. It permits us to increase our borrowing to \$650.0 million if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to \$175.0 million of the borrowing capacity under the 2010 Revolving Credit Facility to letters of credit, which amount compares to \$125.0 million under the Old Revolving Credit Facility. The 2010 Revolving Credit Facility is guaranteed by certain of our direct and indirect subsidiaries and is secured by substantially all of our assets and most of the assets of most of our subsidiaries. The 2010 Revolving Credit Facility contains various covenants requiring, among other things, maintenance of certain financial ratios and certain restrictions with respect to payment of dividends, common stock repurchases, investments, acquisitions, indebtedness and capital expenditures. A commitment fee is payable on the average daily unused amount of the 2010 Revolving Credit Facility. The fee is 0.5% of the unused amount. Borrowings under the 2010 Revolving Credit Facility bear interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at December 31, 2010) plus 1.75% to 2.25%, based on certain financial tests or (2) United States dollar LIBOR (0.26% at December 31, 2010) plus 2.75% to 3.25%, based on certain financial tests. The interest rate in effect at December 31, 2010 was 3.01%. Letter of credit fees issued under this facility range from 2.75% to 3.25% of the respective face amounts of the letters of credit issued and are charged based on certain financial tests. We capitalized approximately \$6.0 million of debt issuance costs associated with the 2010 Revolving Credit Facility. This amount is being amortized over the life of the facility and is included as part of interest expense. In connection with

the termination of the Old Revolving Credit Facility, less than \$0.1 million attributable to the acceleration of expense for debt issuance costs was recorded as part of interest expense. As of December 31, 2010 and December 31, 2009, we had approximately \$82.4 million and \$68.9 million of letters of credit outstanding, respectively. There were no borrowings under the Old Revolving Credit Facility as of December 31, 2009. We have borrowings of \$150.0 million outstanding under the 2010 Revolving Credit Facility at December 31, 2010, which remains outstanding at our discretion until the 2010 Revolving Credit Facility expires. Based on the \$150.0 million borrowings outstanding on the 2010 Revolving Credit Facility, if overall interest rates were to increase by 25 basis points, interest expense, net of income taxes, would increase by approximately \$0.2 million in the next twelve months. Conversely, if overall interest rates were to decrease by 25 basis points, interest expense, net of income taxes, would decrease by approximately \$0.2 million in the next twelve months.

On September 19, 2007, we entered into an agreement providing for a \$300.0 million term loan (Term Loan). The proceeds of the Term Loan were used to pay a portion of the consideration for an acquisition and costs and expenses incident thereto. In connection with the closing of the 2010 Revolving Credit Facility, we proceeded to borrow \$150.0 million under this facility and used the proceeds along with cash on hand to prepay on February 4, 2010 all indebtedness outstanding under the Term Loan. In connection with this prepayment, \$0.6 million attributable to the acceleration of expense for debt issuance costs associated with the Term Loan was recorded as part of interest expense.

On January 27, 2009, we entered into an interest rate swap, which hedged our interest rate risk associated with the Term Loan. We de-designated \$45.5 million of the interest rate swap on December 31, 2009 as it was determined that it was no longer probable that the future estimated cash flows were going to occur as originally estimated. Accordingly, we discontinued the application of hedge accounting associated for this portion of the interest rate swap, and \$0.2 million and \$0.3 million was expensed as part of

interest expense, and removed from Accumulated other comprehensive loss, for the years ended December 31, 2010 and 2009, respectively. The interest rate swap matured in October 2010.

One of our subsidiaries had a 40% interest in a venture that designs, constructs, owns, operates, leases and maintains facilities to produce chilled water for sale to customers for use in air conditioning commercial properties. The other venture partner, Baltimore Gas and Electric (a subsidiary of Constellation Energy), had a 60% interest in the venture. In 2009, the venture, using its own cash and cash from additional capital contributions, acquired its outstanding bonds in the principal amount of \$25.0 million. As a result of this, we were required to make an additional capital contribution of \$8.0 million to the venture. In January 2010, this venture, including our investment, was sold to a third party. As a result of this sale, we received an aggregate amount of \$17.7 million for our 40% interest and recognized a pretax gain of \$4.5 million, which gain is included in our United States facilities services segment and classified as a component of Cost of Sales on the Consolidated Statements of Operations.

The terms of our construction contracts frequently require that we obtain from surety companies (Surety Companies) and provide to our customers payment and performance bonds (Surety Bonds) as a condition to the award of such contracts. The Surety Bonds secure our payment and performance obligations under such contracts, and we have agreed to indemnify the Surety Companies for amounts, if any, paid by them in respect of Surety Bonds issued on our behalf. In addition, at the request of labor unions representing certain of our employees, Surety Bonds are sometimes provided to secure obligations for wages and benefits payable to or for such employees. Public sector contracts require Surety Bonds more frequently than private sector contracts, and accordingly, our bonding requirements typically increase as the amount of public sector work increases. As of December 31, 2010, based on our percentage-of-completion of our projects covered by Surety Bonds, our aggregate estimated exposure, assuming defaults on all our then existing contractual obligations, was approximately \$1.4 billion. The Surety Bonds are issued by Surety Companies in return for premiums, which vary depending on the size and type of bond.

In recent years, there has been a reduction in the aggregate Surety Bond issuance capacity of Surety Companies due to the economy and the regulatory environment. Consequently, the availability of Surety Bonds has become more limited and the terms upon which Surety Bonds are available have become more restrictive. We continually monitor our available limits of Surety Bonds and discuss with our current and other Surety Bond providers the amount of Surety Bonds that may be available to us based on our financial strength and the absence of any default by us on any Surety Bond issued on our behalf. However, if we experience changes in our bonding relationships or if there are further changes in the surety industry, we may seek to satisfy certain customer requests for Surety Bonds by posting other forms of collateral in lieu of Surety Bonds such as letters of credit or guarantees by EMCOR Group, Inc., by seeking to convince customers to forego the requirement for Surety Bonds, by increasing our activities in business segments that rarely require Surety Bonds such as the facilities services segment, and/or by refraining from bidding for certain projects that require Surety Bonds. There can be no assurance that we will be able to effectuate alternatives to providing Surety Bonds to our customers or to obtain, on favorable terms, sufficient additional work that does not require Surety Bonds to replace projects requiring Surety Bonds that we may decide not to pursue. Accordingly, if we were to experience a reduction in the availability of Surety Bonds, we could experience a material adverse effect on our financial position, results of operations and/or cash flows.

We do not have any other material financial guarantees or off-balance sheet arrangements other than those disclosed herein.

Our primary source of liquidity has been, and is expected to continue to be, cash generated by operating activities. We also maintain our 2010 Revolving Credit Facility, that may be utilized, among other things, to meet short-term liquidity needs in the event cash generated by operating activities is insufficient or to enable us to seize opportunities to participate in joint ventures or to make acquisitions that may require access to cash on short notice or for any other reason. However, negative macroeconomic trends may have an adverse effect on liquidity. In addition to managing

borrowings, our focus on the facilities services market is intended to provide an additional buffer against economic downturns inasmuch as a part of our facilities services business is characterized by annual and multi-year contracts that provide a more predictable stream of cash flow than the construction business. Short-term liquidity is also impacted by the type and length of construction contracts in place. During past economic downturns, there were typically fewer small discretionary projects from the private sector, and companies like us aggressively bid larger long-term infrastructure and public sector contracts. Performance of long duration contracts typically requires greater amounts of working capital. While we strive to maintain a net over-billed position with our customers, there can be no assurance that a net over-billed position can be maintained. Our net over-billings, defined as the balance sheet accounts Billings in excess of costs and estimated earnings on uncompleted contracts less Cost and estimated earnings in excess of billings on uncompleted contracts, were \$368.4 million and \$436.2 million as of December 31, 2010 and 2009, respectively.

Long-term liquidity requirements can be expected to be met through cash generated from operating activities and our 2010 Revolving Credit Facility. Based upon our current credit ratings and financial position, we can reasonably expect to be able to incur long-term debt to fund acquisitions. Over the long term, our primary revenue risk factor continues to be the level of demand for non-

residential construction services, which is influenced by macroeconomic trends including interest rates and governmental economic policy. In addition, our ability to perform work is critical to meeting long-term liquidity requirements.

We believe that current cash balances and our borrowing capacity available under the 2010 Revolving Credit Facility or other forms of financing available to us through borrowings, combined with cash expected to be generated from operations, will be sufficient to provide our short-term and foreseeable long-term liquidity needs and meet our expected capital expenditure requirements. However, we are a party to lawsuits and other proceedings in which other parties seek to recover from us amounts ranging from a few thousand dollars to over \$60.0 million. If we were required to pay damages in one or more such proceedings, such payments could have a material adverse effect on our financial position, results of operations and/or cash flows.

Certain Insurance Matters

As of December 31, 2010 and 2009, we utilized approximately \$82.2 million and \$66.5 million, respectively, of letters of credit obtained under our 2010 Revolving Credit Facility and the Old Revolving Credit Facility, respectively, as collateral for insurance obligations.

New Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of such standards will have. As of the filing of this Annual Report on Form 10-K, there were no new accounting standards that were projected to have a material impact on our consolidated financial position, results of operations or liquidity. See Note 2 Summary of Significant Accounting Policies of the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data for further information regarding new accounting standards recently issued and/or adopted by us.

Application of Critical Accounting Policies

Our consolidated financial statements are based on the application of significant accounting policies, which require management to make significant estimates and assumptions. Our significant accounting policies are described in Note 2 Summary of Significant Accounting Policies of the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Form 10-K. We believe that some of the more critical judgment areas in the application of accounting policies that affect our financial condition and results of operations are the impact of changes in the estimates and judgments pertaining to: (a) revenue recognition from (i) long-term construction contracts for which the percentage-of-completion method of accounting is used and (ii) services contracts; (b) collectibility or valuation of accounts receivable; (c) insurance liabilities; (d) income taxes; and (e) goodwill and identifiable intangible assets.

Revenue Recognition from Long-term Construction Contracts and Services Contracts

We believe our most critical accounting policy is revenue recognition from long-term construction contracts for which we use the percentage-of-completion method of accounting. Percentage-of-completion accounting is the prescribed method of accounting for long-term contracts in accordance with Accounting Standards Codification (ASC) Topic 605-35, Revenue Recognition Construction-Type and Production-Type Contracts , and, accordingly, is the method used for revenue recognition within our industry. Percentage-of-completion is measured principally by the percentage of costs incurred to date for each contract to the estimated total costs for such contract at completion. Certain of our electrical contracting business units and our Canadian subsidiary measure percentage-of-completion by the percentage of labor costs incurred to date for each contract to the estimated total labor costs for such contract. Provisions for the

entirety of estimated losses on uncompleted contracts are made in the period in which such losses are determined. Application of percentage-of-completion accounting results in the recognition of costs and estimated earnings in excess of billings on uncompleted contracts in our Consolidated Balance Sheets. Costs and estimated earnings in excess of billings on uncompleted contracts reflected in the Consolidated Balance Sheets arise when revenues have been recognized but the amounts cannot be billed under the terms of contracts. Such amounts are recoverable from customers based upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract.

Costs and estimated earnings in excess of billings on uncompleted contracts also include amounts we seek or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Such amounts are recorded at estimated net realizable value and take into account factors that may affect our ability to bill unbilled revenues and collect amounts after billing. The profit associated with claim amounts is not recognized until the claim has been settled and payment has been received. As of December 31, 2010 and 2009, costs and estimated earnings in excess of billings on uncompleted contracts included unbilled revenues for unapproved change orders of approximately \$9.3 million and \$11.2 million,

respectively, and claims of approximately \$6.3 million and \$4.9 million, respectively. In addition, accounts receivable as of December 31, 2010 and 2009 included claims of approximately \$1.8 million and \$2.5 million, respectively, plus unapproved change orders and contractually billed amounts related to such contracts of approximately \$42.7 million and \$29.6 million, respectively. Generally, contractually billed amounts will not be paid by the customer to us until final resolution of related claims. Due to uncertainties inherent in estimates employed in applying percentage-of-completion accounting, estimates may be revised as project work progresses. Application of percentage-of-completion accounting requires that the impact of revised estimates be reported prospectively in the consolidated financial statements. In addition to revenue recognition for long-term construction contracts, we recognize revenues from the performance of facilities services for maintenance, repair and retrofit work consistent with the performance of services, which are generally on a pro-rata basis over the life of the contractual arrangement. Expenses related to all services arrangements are recognized as incurred. Revenues related to the engineering, manufacturing and repairing of shell and tube heat exchangers are recognized when the product is shipped and all other revenue recognition criteria have been met. Costs related to this work are included in inventory until the product is shipped. These costs include all direct material, labor and subcontracting costs and indirect costs related to performance such as supplies, tools and repairs.

Accounts Receivable

We are required to estimate the collectibility of accounts receivable. A considerable amount of judgment is required in assessing the likelihood of realization of receivables. Relevant assessment factors include the creditworthiness of the customer, our prior collection history with the customer and related aging of past due balances. The provision for doubtful accounts during 2010 decreased by \$12.3 million compared to 2009. This decrease was due to the recovery of amounts previously determined to be uncollectible and a reduction in the 2010 provision. The provision for doubtful accounts during 2009 and 2008 amounted to approximately \$7.2 million and \$11.7 million, respectively. At December 31, 2010 and 2009, our accounts receivable of \$1,090.9 million and \$1,057.2 million, respectively, included allowances for doubtful accounts of \$17.3 million and \$36.2 million, respectively. The decrease in our allowances for doubtful accounts was due to the recovery of amounts previously determined to be uncollectible and the write-off of accounts receivable against the allowances for doubtful accounts. Specific accounts receivable are evaluated when we believe a customer may not be able to meet its financial obligations due to deterioration of its financial condition or its credit ratings. The allowance for doubtful accounts requirements are based on the best facts available and are re-evaluated and adjusted on a regular basis as additional information is received.

Insurance Liabilities

We have loss payment deductibles for certain workers' compensation, automobile liability, general liability and property claims, have self-insured retentions for certain other casualty claims, and are self-insured for employee-related health care claims. Losses are recorded based upon estimates of our liability for claims incurred and for claims incurred but not reported. The liabilities are derived from known facts, historical trends and industry averages utilizing the assistance of an actuary to determine the best estimate for the majority of these obligations. We believe the liabilities recognized on our balance sheets for these obligations are adequate. However, such obligations are difficult to assess and estimate due to numerous factors, including severity of injury, determination of liability in proportion to other parties, timely reporting of occurrences and effectiveness of safety and risk management programs. Therefore, if our actual experience differs from the assumptions and estimates used for recording the liabilities, adjustments may be required and will be recorded in the period that the experience becomes known.

Income Taxes

We had net deferred income tax assets at December 31, 2010 of \$5.2 million and net deferred income tax liabilities of \$6.8 million at December 31, 2009, primarily resulting from differences between the carrying value and income tax

basis of certain depreciable fixed assets and identifiable intangible assets, which will impact our taxable income in future periods. A valuation allowance is required when it is more likely than not that all or a portion of a deferred income tax asset will not be realized. As of December 31, 2010 and 2009, the total valuation allowance on gross deferred income tax assets was approximately \$0.8 million and \$4.0 million, respectively.

Goodwill and Identifiable Intangible Assets

As of December 31, 2010, we had \$406.8 million and \$245.1 million, respectively, of goodwill and net identifiable intangible assets (primarily consisting of our contract backlog, developed technology, customer relationships, non-competition agreements and trade names), primarily arising out of the acquisition of companies. As of December 31, 2009, goodwill and net identifiable intangible assets were \$593.6 million and \$264.5 million, respectively. The changes to goodwill and net identifiable intangible assets (net of accumulated amortization) since December 31, 2009 were related to: (a) a non-cash impairment charge related to goodwill

and trade names associated with certain prior year acquisitions, (b) the acquisition of two companies during 2010 and (c) earn-outs paid and/or accrued related to previous acquisitions. During 2010, the purchase price accounting for one of the acquisitions was finalized. As a result, identifiable intangible assets ascribed to its goodwill, contract backlog, customer relationships, trade name and related non-competition agreements were adjusted with an insignificant impact. The determination of related estimated useful lives for identifiable intangible assets and whether those assets are impaired involves significant judgments based upon short and long-term projections of future performance. These forecasts reflect assumptions regarding the ability to successfully integrate acquired companies, as well as macroeconomic conditions. ASC Topic 350, Intangibles Goodwill and Other (ASC 350) requires goodwill and other identifiable intangible assets with indefinite useful lives not be amortized, but instead must be tested at least annually for impairment (which we test each October 1, absent any impairment indicators), and be written down if impaired. ASC 350 requires that goodwill be allocated to its respective reporting unit and that identifiable intangible assets with finite lives be amortized over their useful lives.

During the third quarter of 2010 and prior to our October 1 annual impairment test, we concluded that impairment indicators may have existed within the United States facilities services segment based upon the year to date results and recent forecasts. As a result of that conclusion, we performed a step one test as prescribed under ASC 350 for that particular reporting unit which concluded that impairment indicators existed within that reporting unit due to significant declines in year to date revenues and operating margins which caused us to revise our expectations for the strength of a near term recovery in our financial models for businesses within that reporting unit. Specifically, we reduced our net sales growth rates and operating margins within our discounted cash flow model, as well as our terminal value growth rates. In addition, we estimated a higher participant risk adjusted weighted average cost of capital. Therefore, the required second step of the assessment for the reporting unit was performed in which the implied fair value of that reporting unit's goodwill was compared to the book value of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, that is, the estimated fair value of the reporting unit is allocated to all of those assets and liabilities of that unit (including both recognized and unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of that reporting unit's goodwill, an impairment loss is recognized in the amount of the excess and is charged to operations. We determined the fair value of the reporting unit using discounted estimated future cash flows. The weighted average cost of capital used in testing for impairment at the interim date was 12.5% with a perpetual growth rate of 2.8% for our United States facilities services segment. As a result of our interim impairment assessment, we recognized a \$210.6 million non-cash goodwill impairment charge in the third quarter of 2010. Additionally, we performed our annual impairment test as of October 1, and no additional impairment of our goodwill was recognized for any of our reporting segments in the fourth quarter of 2010. The weighted average cost of capital used in our annual testing for impairment was 13.2% and 12.2% for our domestic construction segments and our United States facilities services segment, respectively. The perpetual growth rate used for our annual testing was 3.0% for our domestic construction segments and 2.8% for our United States facilities services segment, respectively. For the years ended December 31, 2009 and 2008, no impairment of our goodwill was recognized. As of December 31, 2010, we had \$406.8 million of goodwill on our balance sheet and, of this amount, approximately 56.0% relates to our United States facilities services segment, approximately 43.1% relates to our United States mechanical construction and facilities services segment and approximately 0.9% relates to our United States electrical construction and facilities services segment. As of the date of our latest impairment test, the fair values of our United States facilities services, United States mechanical construction and facilities services and United States electrical construction and facilities services segments exceeded their carrying values by approximately \$50.6 million, \$301.6 million and \$337.8 million, respectively.

We also test for the impairment of trade names that are not subject to amortization by calculating the fair value using the relief from royalty payments methodology. This approach involves two steps: (a) estimating reasonable royalty rates for each trade name and (b) applying these royalty rates to a net revenue stream and discounting the resulting

cash flows to determine fair value. This fair value is then compared with the carrying value of each trade name. If the carrying amount of the trade name is greater than the implied fair value of the trade name, an impairment in the amount of the excess is recognized and charged to operations. The annual impairment review of our trade names for the year ended December 31, 2009 resulted in an \$11.5 million non-cash impairment charge as a result of a change in the fair value of trade names associated with certain prior acquisitions reported within our United States facilities services and United States mechanical construction and facilities services segments. As a result of the continued assessment of the fair value of trade names previously impaired and the interim impairment testing performed during the second and third quarters of 2010, we recorded an additional \$35.5 million non-cash impairment charge of trade names associated with certain prior year acquisitions. These trade names are reported within our United States facilities services segment. The current year impairment primarily results from both lower forecasted revenues from and operating margins at our United States facilities services segment, which has been adversely affected by industry conditions. Additionally, we performed our annual impairment test as of October 1, and no additional impairment of our trade names was recognized in the fourth quarter of 2010. For the year ended December 31, 2008, no impairment of our trade names was recognized.

In addition, we review for the impairment of other identifiable intangible assets that are being amortized whenever facts and circumstances indicate that their carrying values may not be fully recoverable. This test compares their carrying values to the undiscounted pre-tax cash flows expected to result from the use of the assets. If the assets are impaired, the assets are written down to their fair values, generally determined based on their future discounted cash flows. Based on facts and circumstances that indicated an impairment may exist, we performed an impairment review of our other identifiable intangible assets for the year ended December 31, 2009, which resulted in a \$2.0 million non-cash impairment charge as a result of a change in the fair value of customer relationships associated with certain prior acquisitions reported within our United States mechanical construction and facilities services segment. For the years ended December 31, 2010 and 2008, no impairment of our other identifiable intangible assets was recognized.

Our development of the present value of future cash flow projections used in impairment testing is based upon assumptions and estimates by management from a review of our operating results, business plans, anticipated growth rates and margins and weighted average cost of capital, among others. Much of the information used in assessing fair value is outside the control of management, such as interest rates, and these assumptions and estimates can change in future periods. There can be no assurances that our estimates and assumptions made for purposes of our goodwill and identifiable intangible asset impairment testing will prove to be accurate predictions of the future. If our assumptions regarding business plans or anticipated growth rates and/or margins are not achieved, or there is a rise in interest rates, we may be required, as we were in the second and third quarters of 2010 and in the fourth quarter of 2009, to record further goodwill and/or identifiable intangible asset impairment charges in future periods.

During 2010, we recognized a \$246.1 million non-cash impairment charge as discussed above. Of this amount, \$210.6 million relates to goodwill and \$35.5 million relates to trade names. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such a charge would be material.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have not used any derivative financial instruments, except as discussed below, during the years ended December 31, 2010 and 2009, including trading or speculating on changes in commodity prices of materials used in our business.

We are exposed to market risk for changes in interest rates for borrowings under the 2010 Revolving Credit Facility and were exposed to market risk as it related to the interest rate swap. Borrowings under the 2010 Revolving Credit Facility bear interest at variable rates. For further information on borrowing rates and interest rate sensitivity, refer to the Liquidity and Capital Resources discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. As of December 31, 2010, there were borrowings of \$150.0 million outstanding under the 2010 Revolving Credit Facility. As of December 31, 2009, the fair value of our interest rate swap was a net liability of \$1.2 million. Under the terms of the interest rate swap, which matured in October 2010, we paid the counterparty a fixed rate of interest of 2.225% and received a variable rate of interest from the same counterparty.

We are also exposed to construction market risk and its potential related impact on accounts receivable or costs and estimated earnings in excess of billings on uncompleted contracts. The amounts recorded may be at risk if our customers' ability to pay these obligations is negatively impacted by economic conditions. We continually monitor the creditworthiness of our customers and maintain on-going discussions with customers regarding contract status with respect to change orders and billing terms. Therefore, we believe we take appropriate action to manage market and other risks, but there is no assurance that we will be able to reasonably identify all risks with respect to collectibility of these assets. See also the previous discussions of Revenue Recognition from Long-term Construction Contracts and Services Contracts and Accounts Receivable under Application of Critical Accounting Policies in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at year end. The resulting translation adjustments are recorded as accumulated other comprehensive income (loss), a component of equity, in our Consolidated Balance Sheets. We believe the exposure to the effects that fluctuating foreign currencies may have on our consolidated results of operations is limited because the foreign operations primarily invoice customers and collect obligations in their respective local currencies. Additionally, expenses associated with these transactions are generally contracted and paid for in their same local currencies.

In addition, we are exposed to market risk of fluctuations in certain commodity prices of materials, such as copper and steel, which are used as components of supplies or materials utilized in both our construction and facilities services operations. We are also exposed to increases in energy prices, particularly as they relate to gasoline prices for our fleet of over 8,000 vehicles. While we believe we can increase our prices to adjust for some price increases in commodities, there can be no assurance that price increases of commodities, if they were to occur, would be recoverable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**EMCOR Group, Inc.
and Subsidiaries****CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)**

	December 31,	
	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 710,836	\$ 726,975
Accounts receivable, less allowance for doubtful accounts of \$17,287 and \$36,188, respectively	1,090,927	1,057,171
Costs and estimated earnings in excess of billings on uncompleted contracts	88,253	90,049
Inventories	32,778	34,468
Prepaid expenses and other	57,373	68,702
Total current assets	1,980,167	1,977,365
Investments, notes and other long-term receivables	6,211	19,287
Property, plant and equipment, net	88,615	92,057
Goodwill	406,804	593,628
Identifiable intangible assets, net	245,089	264,522
Other assets	28,656	35,035
Total assets	\$ 2,755,542	\$ 2,981,894
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings under revolving credit facility	\$	\$
Current maturities of long-term debt and capital lease obligations	489	45,100
Accounts payable	416,715	379,764
Billings in excess of costs and estimated earnings on uncompleted contracts	456,690	526,241
Accrued payroll and benefits	192,407	215,967
Other accrued expenses and liabilities	166,398	167,533
Total current liabilities	1,232,699	1,334,605
Borrowings under revolving credit facility	150,000	
Long-term debt and capital lease obligations	1,184	150,251
Other long-term obligations	208,814	270,572
Total liabilities	1,592,697	1,755,428
Equity:		

Edgar Filing: EMCOR GROUP INC - Form 10-K

EMCOR Group, Inc. stockholders' equity:

Preferred stock, \$0.01 par value, 1,000,000 shares authorized, zero issued and outstanding		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 68,954,426 and 68,675,223 shares issued, respectively	690	687
Capital surplus	427,613	416,267
Accumulated other comprehensive loss	(42,411)	(52,699)
Retained earnings	782,576	869,267
Treasury stock, at cost 2,293,875 and 2,487,879 shares, respectively	(15,525)	(15,451)
Total EMCOR Group, Inc. stockholders' equity	1,152,943	1,218,071
Noncontrolling interests	9,902	8,395
Total equity	1,162,845	1,226,466
Total liabilities and equity	\$ 2,755,542	\$ 2,981,894

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

**EMCOR Group, Inc.
and Subsidiaries**

**CONSOLIDATED STATEMENTS OF OPERATIONS
For The Years Ended December 31,
(In thousands, except per share data)**

	2010	2009	2008
Revenues	\$ 5,121,285	\$ 5,547,942	\$ 6,785,242
Cost of sales	4,401,741	4,723,042	5,898,591
Gross profit	719,544	824,900	886,651
Selling, general and administrative expenses	497,808	542,949	582,317
Restructuring expenses	4,341	6,000	1,757
Impairment loss on goodwill and identifiable intangible assets	246,081	13,526	
Operating (loss) income	(28,686)	262,425	302,577
Interest expense	(12,204)	(7,890)	(11,764)
Interest income	2,701	4,735	9,910
Gain on sale of equity investment	7,900		
(Loss) income before income taxes	(30,289)	259,270	300,723
Income tax provision	52,395	96,193	116,588
Net (loss) income including noncontrolling interests	(82,684)	163,077	184,135
Less: Net income attributable to noncontrolling interests	(4,007)	(2,321)	(1,931)
Net (loss) income attributable to EMCOR Group, Inc.	\$ (86,691)	\$ 160,756	\$ 182,204
Basic (loss) earnings per common share:			
Net (loss) income attributable to EMCOR Group, Inc. common stockholders	\$ (1.31)	\$ 2.44	\$ 2.79
Diluted (loss) earnings per common share:			
Net (loss) income attributable to EMCOR Group, Inc. common stockholders	\$ (1.31)	\$ 2.38	\$ 2.71

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

**EMCOR Group, Inc.
and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended December 31,
(In thousands)**

	2010	2009	2008
Cash flows from operating activities:			
Net (loss) income including noncontrolling interests	\$ (82,684)	\$ 163,077	\$ 184,135
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	25,498	26,768	25,160
Amortization of identifiable intangible assets	16,417	18,977	23,357
(Recovery of) provision for doubtful accounts	(5,126)	7,178	11,671
Deferred income taxes	(15,390)	2,922	(9,492)
Gain on sale of equity investments	(12,409)		
Loss (gain) on sale of property, plant and equipment	127	387	(495)
Excess tax benefits from share-based compensation	(1,474)	(2,203)	(1,232)
Equity income from unconsolidated entities	(843)	(2,706)	(3,300)
Non-cash expense for impairment of equity investment			6,967
Non-cash expense for amortization of debt issuance costs	2,703	1,530	1,815
Non-cash expense for impairment of goodwill and identifiable intangible assets	246,081	13,526	
Non-cash compensation expense	5,742	7,454	5,905
Supplemental defined benefit plan contribution	(25,916)		
Distributions from unconsolidated entities	958	6,177	5,542
Changes in operating assets and liabilities excluding effect of businesses acquired:			
(Increase) decrease in accounts receivable	(8,342)	354,206	57,246
Decrease (increase) in inventories	2,118	20,135	(601)
Decrease in costs and estimated earnings in excess of billings on uncompleted contracts	8,757	18,472	51,280
Increase (decrease) in accounts payable	16,992	(135,107)	(43,740)
(Decrease) increase in billings in excess of costs and estimated earnings on uncompleted contracts	(73,714)	(87,645)	22,117
Decrease in accrued payroll and benefits and other accrued expenses and liabilities	(43,908)	(20,977)	(13,069)
Changes in other assets and liabilities, net	13,065	(33,059)	11,760
Net cash provided by operating activities	68,652	359,112	335,026
Cash flows from investing activities:			
Payments for acquisitions of businesses, net of cash acquired, identifiable intangible assets and related earn-out agreements	(39,902)	(21,686)	(89,359)
Proceeds from sale of equity investments	25,570		
Proceeds from sale of discontinued operations			2,462

Edgar Filing: EMCOR GROUP INC - Form 10-K

Proceeds from sale of property, plant and equipment	1,032	1,215	1,381
Purchase of property, plant and equipment	(19,359)	(24,100)	(37,514)
Investment in and advances to unconsolidated entities and joint ventures	(65)	(8,000)	(800)
Net disbursements for other investments			(297)
Net cash used in investing activities	(32,724)	(52,571)	(124,127)
Cash flows from financing activities:			
Proceeds from revolving credit facility	153,000		58,500
Repayments of revolving credit facility	(3,000)		(58,500)
Repayments for long-term debt and debt issuance costs	(200,828)	(3,041)	(28,101)
Repayments for capital lease obligations	(430)	(1,085)	(916)
Proceeds from exercise of stock options	2,818	2,801	2,408
Issuance of common stock under employee stock purchase plan	2,305	2,165	379
Distributions to noncontrolling interests	(2,500)	(1,350)	
Excess tax benefits from share-based compensation	1,474	2,203	1,232
Net cash (used in) provided by financing activities	(47,161)	1,693	(24,998)
Effect of exchange rate changes on cash and cash equivalents	(4,906)	12,872	(31,669)
(Decrease) increase in cash and cash equivalents	(16,139)	321,106	154,232
Cash and cash equivalents at beginning of year	726,975	405,869	251,637
Cash and cash equivalents at end of year	\$ 710,836	\$ 726,975	\$ 405,869

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

**EMCOR Group, Inc.
and Subsidiaries**

**CONSOLIDATED STATEMENTS OF EQUITY AND
COMPREHENSIVE (LOSS) INCOME
(In thousands)**

	EMCOR Group, Inc. Stockholders Accumulated other							
	Total	Comprehensive (loss) income	Common stock	Capital surplus	comprehensive (loss) income (1)	Retained earnings	Treasury stock	Noncontrolling interests
Balance, December 31, 2007	\$ 891,734		\$ 678	\$ 387,288	\$ (15,102)	\$ 526,307	\$ (14,130)	\$ 6,693
Net income including noncontrolling interests	184,135	\$ 184,135				182,204		1,931
Foreign currency translation adjustments	(15,558)	(15,558)			(15,558)			
Pension adjustment, net of tax of \$7.4 million	(18,658)	(18,658)			(18,658)			
Comprehensive income		149,919						
Less: Net income attributable to noncontrolling interests		(1,931)						
Comprehensive income attributable to EMCOR		\$ 147,988						
Issuance of treasury stock for restricted stock units (2)				(108)			108	
Treasury stock, at cost (3)	(493)						(493)	
Common stock issued under share-based compensation plans, net (4)	4,525		3	4,431			91	
Common stock issued under employee stock purchase plan	379			379				
Distributions to noncontrolling interests	(1,200)							(1,200)
Share-based compensation expense	5,905			5,905				

Edgar Filing: EMCOR GROUP INC - Form 10-K

Balance, December 31, 2008	1,050,769		681	397,895	(49,318)	708,511	(14,424)	7,424
Net income including noncontrolling interests	163,077	\$ 163,077				160,756		2,321
Foreign currency translation adjustments	5,830	5,830		8	5,822			
Pension adjustment, net of tax of \$3.2 million	(8,612)	(8,612)			(8,612)			
Deferred loss on cash flow hedge, net of tax of \$0.5 million	(746)	(746)			(746)			
Loss on partial de-designation of cash flow hedge, net of tax of \$0.1 million	155	155			155			
Comprehensive income		159,704						
Less: Net income attributable to noncontrolling interests		(2,321)						
Comprehensive income attributable to EMCOR		\$ 157,383						
Treasury stock, at cost (3)	(1,660)						(1,660)	
Common stock issued under share-based compensation plans (4)	9,384		6	8,745			633	
Common stock issued under employee stock purchase plan	2,165			2,165				
Distributions to noncontrolling interests	(1,350)							(1,350)
Share-based compensation expense	5,492			5,492				
Capital contributed by selling shareholders of an acquired business (5)	1,962			1,962				
Balance, December 31, 2009	\$ 1,226,466		\$ 687	\$ 416,267	\$ (52,699)	\$ 869,267	\$ (15,451)	\$ 8,395

**EMCOR Group, Inc.
and Subsidiaries**

**CONSOLIDATED STATEMENTS OF EQUITY AND
COMPREHENSIVE (LOSS) INCOME (Continued)
(In thousands)**

	EMCOR Group, Inc. Stockholders							
	Total	Comprehensive (loss) income	Common stock	Capital surplus	Accumulated other comprehensive (loss) income (1)	Retained earnings	Treasury stock	Noncontrolling interests
Balance, December 31, 2009	\$ 1,226,466		\$ 687	\$ 416,267	\$ (52,699)	\$ 869,267	\$ (15,451)	\$ 8,395
Net (loss) income including noncontrolling interests	(82,684)	\$ (82,684)				(86,691)		4,007
Foreign currency translation adjustments	3,196	3,196			3,196			
Pension adjustment, net of tax of \$2.5 million	6,501	6,501			6,501			
Deferred gain on cash flow hedge, net of tax of \$0.4 million	591	591			591			
Comprehensive loss		(72,396)						
Less: Net income attributable to noncontrolling interests		(4,007)						
Comprehensive loss attributable to EMCOR		\$ (76,403)						
Treasury stock, at cost (3)	(875)						(875)	
Common stock issued under share-based	4,103		3	3,299			801	

compensation plans (4)							
Common stock issued under employee stock purchase plan	2,305		2,305				
Distributions to noncontrolling interests	(2,500)					(2,500)	
Share-based compensation expense	5,742		5,742				
Balance, December 31, 2010	\$ 1,162,845	\$ 690	\$ 427,613	\$ (42,411)	\$ 782,576	\$ (15,525)	\$ 9,902

- (1) As of December 31, 2010, represents cumulative foreign currency translation and pension liability adjustments of \$19.8 million and \$(62.2) million, respectively. As of December 31, 2009, represents cumulative foreign currency translation, pension liability adjustments and deferred loss on interest rate swap of \$16.6 million, \$(68.7) million and \$(0.6) million, respectively. As of December 31, 2008, represents cumulative foreign currency translation and pension liability adjustments of \$10.8 million and \$(60.1) million, respectively.
- (2) Represents common stock transferred at cost from treasury stock upon the vesting of restricted stock units.
- (3) Represents value of shares of common stock withheld by EMCOR for income tax withholding requirements upon the issuance of shares in respect of restricted stock units.
- (4) Includes the tax benefit associated with share-based compensation of \$2.0 million in 2010, \$2.2 million in 2009 and \$1.8 million in 2008.
- (5) Represents redistributed portion of acquisition-related payments to certain employees of a company, the outstanding stock of which we acquired. These employees were not shareholders of that company. Such payments were dependent on continuing employment with us and were recorded as non-cash compensation expense.

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

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 NATURE OF OPERATIONS

References to the Company, EMCOR, we, us, our and similar words refer to EMCOR Group, Inc. and its consolidated subsidiaries unless the context indicates otherwise.

We are one of the largest electrical and mechanical construction and facilities services firms in the United States, Canada, the United Kingdom and in the world. We specialize principally in providing construction services relating to electrical and mechanical systems in facilities of all types and in providing comprehensive services for the operation, maintenance and management of substantially all aspects of such facilities, commonly referred to as facilities services. We design, integrate, install, start-up, operate and maintain various electrical and mechanical systems, including: (a) electric power transmission and distribution systems; (b) premises electrical and lighting systems; (c) low-voltage systems, such as fire alarm, security and process control systems; (d) voice and data communication systems; (e) roadway and transit lighting and fiber optic lines; (f) heating, ventilation, air conditioning, refrigeration and clean-room process ventilation systems; (g) fire protection systems; (h) plumbing, process and high-purity piping systems; (i) water and wastewater treatment systems; and (j) central plant heating and cooling systems. We provide electrical and mechanical construction services and facilities services directly to corporations, municipalities and other governmental entities, owners/developers and tenants of buildings. We also provide these services indirectly by acting as a subcontractor to general contractors, systems suppliers and other subcontractors. Electrical and mechanical construction services generally fall into one of two categories: (a) large installation projects with contracts often in the multi-million dollar range that involve construction of industrial and commercial buildings and institutional and public works facilities or the fit-out of large blocks of space within commercial buildings and (b) smaller installation projects typically involving fit-out, renovation and retrofit work. Our facilities services operations, which support the operation of a customer's facilities, include: (a) industrial maintenance and services; (b) outage services to utilities and industrial plants; (c) commercial and government site-based operations and maintenance; (d) military base operations support services; (e) mobile maintenance and services; (f) facilities management; (g) installation and support for building systems; (h) program development, management and maintenance for energy systems; (i) shop and on-site field services for refineries and petrochemical plants; (j) technical consulting and diagnostic services; (k) infrastructure and building projects for federal, state and local governmental agencies and bodies; (l) small modification and retrofit projects; and (m) retrofit projects to comply with clean air laws. These services are provided to a wide range of commercial, industrial, utility and institutional facilities including those at which we provided construction services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated. All investments over which we exercise significant influence, but do not control (a 20% to 50% ownership interest), are accounted for using the equity method of accounting. Additionally, we participate in a joint venture with another company, and we have consolidated this joint venture as we have determined that through our participation we have a variable interest and are the primary beneficiary as defined by the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 810, Consolidation .

For joint ventures that have been accounted for using the consolidation method of accounting, noncontrolling interest represents the allocation of earnings to our joint venture partners who either have a minority-ownership interest in the joint venture or are not at risk for the majority of losses of the joint venture.

The results of operations of companies acquired have been included in the results of operations from the date of the respective acquisition.

Principles of Preparation

The preparation of the consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Our reportable segments reflect certain reclassifications of prior year amounts from our United States mechanical construction and facilities services segment to our United States facilities services segment due to changes in our internal reporting structure.

Revenue Recognition

Revenues from long-term construction contracts are recognized on the percentage-of-completion method in accordance with ASC Topic 605-35, Revenue Recognition Construction-Type and Production-Type Contracts . Percentage-of-completion is measured principally by the percentage of costs incurred to date for each contract to the estimated total costs for such contract at completion. Certain of our electrical contracting business units and our Canadian subsidiary measure percentage-of-completion by the percentage of labor costs incurred to date for each contract to the estimated total labor costs for such contract. Revenues from the performance of facilities services for maintenance, repair and retrofit work are recognized consistent with the performance of services, which are generally on a pro-rata basis over the life of the contractual arrangement. Expenses related to all services arrangements are recognized as incurred. Revenues related to the engineering, manufacturing and repairing of shell and tube heat exchangers are recognized when the product is shipped and all other revenue recognition criteria have been met. Costs related to this work are included in inventory until the product is shipped. These costs include all direct material, labor and subcontracting costs and indirect costs related to performance such as supplies, tools and repairs. Provisions for the entirety of estimated losses on uncompleted contracts are made in the period in which such losses are determined. In the case of customer change orders for uncompleted long-term construction contracts, estimated recoveries are included for work performed in forecasting ultimate profitability on certain contracts. Due to uncertainties inherent in the estimation process, it is possible that completion costs, including those arising from contract penalty provisions and final contract settlements, will be revised in the near-term. Such revisions to costs and income are recognized in the period in which the revisions are determined.

Costs and estimated earnings on uncompleted contracts

Costs and estimated earnings in excess of billings on uncompleted contracts arise in the consolidated balance sheets when revenues have been recognized but the amounts cannot be billed under the terms of the contracts. Such amounts are recoverable from customers upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of a contract. Also included in costs and estimated earnings on uncompleted contracts are amounts we seek or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and/or price or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Such amounts are recorded at estimated net realizable value when realization is probable and can be reasonably estimated. No profit is recognized on construction costs incurred in connection with claim amounts. Claims and unapproved

change orders made by us involve negotiation and, in certain cases, litigation. In the event litigation costs are incurred by us in connection with claims or unapproved change orders, such litigation costs are expensed as incurred, although we may seek to recover these costs. We believe that we have established legal bases for pursuing recovery of our recorded unapproved change orders and claims, and it is management's intention to pursue and litigate such claims, if necessary, until a decision or settlement is reached. Unapproved change orders and claims also involve the use of estimates, and it is reasonably possible that revisions to the estimated recoverable amounts of recorded claims and unapproved change orders may be made in the near term. If we do not successfully resolve these matters, a net expense (recorded as a reduction in revenues) may be required, in addition to amounts that may have been previously provided for. We record the profit associated with the settlement of claims upon receipt of final payment. Claims against us are recognized when a loss is considered probable and amounts are reasonably determinable.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Costs and estimated earnings on uncompleted contracts and related amounts billed as of December 31, 2010 and 2009 were as follows (in thousands):

	2010	2009
Costs incurred on uncompleted contracts	\$ 7,274,211	\$ 8,156,428
Estimated earnings, thereon	811,651	795,407
	8,085,862	8,951,835
Less: billings to date	8,454,299	9,388,027
	\$ (368,437)	\$ (436,192)

Such amounts were included in the accompanying Consolidated Balance Sheets at December 31, 2010 and 2009 under the following captions (in thousands):

	2010	2009
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 88,253	\$ 90,049
Billings in excess of costs and estimated earnings on uncompleted contracts	(456,690)	(526,241)
	\$ (368,437)	\$ (436,192)

As of December 31, 2010 and 2009, costs and estimated earnings in excess of billings on uncompleted contracts included unbilled revenues for unapproved change orders of approximately \$9.3 million and \$11.2 million, respectively, and claims of approximately \$6.3 million and \$4.9 million, respectively. In addition, accounts receivable as of December 31, 2010 and 2009 included claims of approximately \$1.8 million and \$2.5 million, respectively, plus contractually billed amounts related to such contracts of \$42.7 million and \$29.6 million, respectively. Generally, contractually billed amounts will not be paid by the customer to us until final resolution of related claims.

Classification of Contract Amounts

In accordance with industry practice, we classify as current all assets and liabilities related to the performance of long-term contracts. The contracting cycle for certain long-term contracts may extend beyond one year, and, accordingly, collection or payment of amounts related to these contracts may extend beyond one year. Accounts

receivable at December 31, 2010 and 2009 included \$212.9 million and \$221.0 million, respectively, of retainage billed under terms of these contracts. We estimate that approximately 81% of retainage recorded at December 31, 2010 will be collected during 2011. Accounts payable at December 31, 2010 and 2009 included \$36.5 million and \$38.6 million, respectively, of retainage withheld under terms of the contracts. We estimate that approximately 82% of retainage withheld at December 31, 2010 will be paid during 2011.

Cash and cash equivalents

For purposes of the consolidated financial statements, we consider all highly liquid instruments with original maturities of three months or less to be cash equivalents. We maintain a centralized cash management system whereby our excess cash balances are invested in high quality, short-term money market instruments, which are considered cash equivalents. We have cash balances in certain of our domestic bank accounts that exceed federally insured limits.

Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts. This allowance is based upon the best estimate of the probable losses in existing accounts receivable. The Company determines the allowances based upon individual accounts when information indicates the customers may have an

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

inability to meet the financial obligation, as well as historical collection and write-off experience. These amounts are reevaluated and adjusted on a regular basis as additional information is received. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful. At December 31, 2010 and 2009, our accounts receivable of \$1,090.9 million and \$1,057.2 million, respectively, included allowances for doubtful accounts of \$17.3 million and \$36.2 million, respectively. The (recovery of) provision for doubtful accounts during 2010, 2009 and 2008 amounted to approximately \$(5.1) million, \$7.2 million and \$11.7 million, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally using the average cost method.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation, including amortization of assets under capital leases, is recorded principally using the straight-line method over estimated useful lives of 3 to 10 years for machinery and equipment, 3 to 7 years for vehicles, furniture and fixtures and computer hardware/software and 25 years for buildings. Leasehold improvements are amortized over the shorter of the remaining life of the lease term or the expected service life of the improvement.

The carrying values of property, plant and equipment are reviewed for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. In performing this review for recoverability, property, plant and equipment is assessed for possible impairment by comparing their carrying values to their undiscounted net pre-tax cash flows expected to result from the use of the asset. Impaired assets are written down to their fair values, generally determined based on their estimated future discounted cash flows. Based on the results of our testing for the years ended December 31, 2010, 2009 and 2008, no impairment of property, plant and equipment was recognized.

Goodwill and Identifiable Intangible Assets

Goodwill and other identifiable intangible assets with indefinite lives that are not being amortized, such as trade names, are instead tested at least annually for impairment (which we test each October 1, absent any impairment indicators) and are written down if impaired. Identifiable intangible assets with finite lives are amortized over their useful lives and are reviewed for impairment whenever facts and circumstances indicate that their carrying values may not be fully recoverable. See Note 8 Goodwill and Identifiable Intangible Assets of the notes to consolidated financial statements for additional information.

Insurance Liabilities

Our insurance liabilities are determined actuarially based on claims filed and an estimate of claims incurred but not yet reported. At December 31, 2010 and 2009, the estimated current portion of undiscounted insurance liabilities of

\$21.8 million and \$20.5 million, respectively, were included in Other accrued expenses and liabilities in the accompanying Consolidated Balance Sheets. The estimated non-current portion of the undiscounted insurance liabilities included in Other long-term obligations at December 31, 2010 and 2009 were \$98.5 million and \$93.6 million, respectively.

Foreign Operations

The financial statements and transactions of our foreign subsidiaries are maintained in their functional currency and translated into U.S. dollars in accordance with ASC Topic 830, Foreign Currency Matters . Translation adjustments have been recorded as Accumulated other comprehensive loss , a separate component of Equity .

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

We account for income taxes in accordance with the provisions of ASC Topic 740, *Income Taxes* (ASC 740). ASC 740 requires an asset and liability approach which requires the recognition of deferred income tax assets and deferred income tax liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are established when necessary to reduce deferred income tax assets when it is more likely than not that a tax benefit will not be realized.

We account for uncertain tax positions in accordance with the provisions of ASC 740. We recognize accruals of interest related to unrecognized tax benefits as a component of the income tax provision.

Valuation of Share-Based Compensation Plans

We have various types of share-based compensation plans and programs, which are administered by our Board of Directors or its Compensation and Personnel Committee. See Note 14 *Share-Based Compensation Plans* of the notes to consolidated financial statements for additional information regarding the share-based compensation plans and programs.

We account for share-based payments in accordance with the provision of ASC Topic 718, *Compensation - Stock Compensation* (ASC 718). ASC 718 requires that all share-based payments issued to acquire goods or services, including grants of employee stock options, be recognized in the statement of operations based on their fair values, net of estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Compensation expense related to share-based awards is recognized over the requisite service period, which is generally the vesting period. For shares subject to graded vesting, our policy is to apply the straight-line method in recognizing compensation expense. ASC 718 requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash inflow, rather than as an operating cash inflow on the Consolidated Statements of Cash Flows. This requirement reduces net operating cash flows and increases net financing cash flows.

New Accounting Pronouncements

On January 1, 2010, we adopted the accounting pronouncement regarding the consolidation of variable interest entities, which changes the consolidation guidance related to a variable interest entity (VIE). It also amends the guidance governing the determination of whether or not an enterprise is the primary beneficiary of a VIE and, if so, is therefore required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb the losses or the right to receive the benefits of the VIE that could potentially be significant to the VIE. This statement also requires periodic reassessments of whether an enterprise is the primary beneficiary of a VIE. We were previously

required to reconsider whether an enterprise is the primary beneficiary of a VIE only when specific events had occurred. This pronouncement also requires enhanced disclosures about an enterprise's involvement with a VIE. The adoption of this pronouncement did not have any effect on our consolidated financial statements.

In October 2009, an accounting pronouncement was issued to update existing guidance on revenue recognition for arrangements with multiple deliverables. This guidance eliminates the requirement that all undelivered elements must have objective and reliable evidence of fair value before a company can recognize the portion of the consideration attributed to the delivered item. This may allow some companies to recognize revenue on transactions that involve multiple deliverables earlier than under current requirements. Additional disclosures discussing the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices are required. This pronouncement is effective prospectively for revenue arrangements entered into or modified after annual periods beginning on or after June 15, 2010, but early adoption is permitted. We have adopted this pronouncement as of January 1, 2011, and we will review new and/or modified revenue arrangements after the adoption date to ensure compliance with this update. We have

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

not determined the effect, if any, that the adoption of the pronouncement may have on our financial position and/or results of operations.

In December 2010, an accounting pronouncement was issued to update existing guidance on business combinations, which clarifies that if comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. The guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. We have adopted this pronouncement as of January 1, 2011, and we will consider the guidance in conjunction with future acquisitions.

In December 2010, an accounting pronouncement was issued to update existing guidance, which modifies the goodwill impairment test for reporting units with zero or negative carrying amounts. For reporting units with zero or negative carrying amounts, the second step of the goodwill impairment test must be performed if it appears more likely than not that a goodwill impairment exists. To make that determination, an entity should consider whether there are adverse qualitative factors indicating that an impairment may exist. The guidance is effective for fiscal years beginning after December 15, 2010. We have adopted this pronouncement as of January 1, 2011, and we will consider the guidance in conjunction with our future goodwill impairment testing.

NOTE 3 ACQUISITIONS OF BUSINESSES

We acquired two companies during 2010 and a company in 2009, each for an immaterial amount. One of the companies acquired in 2010 and the company acquired in 2009 provide mobile mechanical services, and the other company acquired in 2010 primarily performs government infrastructure contracting services. All of these companies have been included in our United States facilities services reporting segment.

During 2008, we acquired five companies, which were not material individually or in the aggregate, for an aggregate of \$82.7 million. One of the companies primarily provides industrial services to refineries, another primarily provides industrial maintenance services, and two others primarily perform mobile mechanical services. The results of these four companies have been included in our United States facilities services reporting segment. The fifth company is a fire protection company that has been included in our United States mechanical construction and facilities services reporting segment. Goodwill and identifiable intangible assets attributable to these five companies were valued at an aggregate of \$15.0 million and \$48.8 million, respectively, representing the excess of the aggregate purchase price over the fair value amounts assigned to their net tangible assets. See Note 8 Goodwill and Identifiable Intangible Assets of the notes to consolidated financial statements for additional information.

We believe the aforementioned acquisitions further our goal of service and geographic diversification and/or expansion of our facilities services operations and our mechanical construction and facilities services operation in our

fire protection offerings. Additionally, these acquisitions create more opportunities for our subsidiaries to collaborate on national facilities services contracts.

The purchase price allocation for one of our 2010 acquired companies is subject to the finalization of valuation of acquired identifiable intangible assets. The purchase price accounting for the other acquisitions referred to above was finalized. As a result, identifiable intangible assets ascribed to goodwill, contract backlog, customer relationships, trade names and related non-competition agreements were adjusted with an insignificant impact. These acquisitions were accounted for by the purchase method in 2008 and by the acquisition method in 2010 and 2009, and the purchase prices for them have been allocated to their respective assets and liabilities, based upon the estimated fair values of the respective assets and liabilities at the dates of the respective acquisitions.

For the year ended December 31, 2009, we recorded approximately \$2.0 million of non-cash compensation expense related to a prior acquisition, with an offsetting amount recorded as a capital contribution from the selling shareholders of the acquired company. This non-cash expense was a result of a redistributed portion of acquisition-related payments made by the former owners of the acquired company to certain employees. These employees were not shareholders of the acquired company, and such payments were dependent on continuing employment with us.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 EARNINGS PER SHARE

The following tables summarize our calculation of Basic and Diluted (Loss) Earnings per Common Share (EPS) for the years ended December 31, 2010, 2009 and 2008 (in thousands, except share and per share data):

	2010	2009	2008
Numerator:			
Net (loss) income attributable to EMCOR Group, Inc. available to common stockholders	\$ (86,691)	\$ 160,756	\$ 182,204
Denominator:			
Weighted average shares outstanding used to compute basic (loss) earnings per common share	66,393,782	65,910,793	65,373,483
Effect of diluted securities Share-based awards		1,534,492	1,743,778
Shares used to compute diluted (loss) earnings per common share	66,393,782	67,445,285	67,117,261
Basic (loss) earnings per common share:			
Net (loss) income attributable to EMCOR Group, Inc. common stockholders	\$ (1.31)	\$ 2.44	\$ 2.79
Diluted (loss) earnings per common share:			
Net (loss) income attributable to EMCOR Group, Inc. common stockholders	\$ (1.31)	\$ 2.38	\$ 2.71

The effect of 1,645,098 of common stock equivalents have been excluded from the calculation of diluted EPS for the year ended December 31, 2010 due to our net loss position in this period. Assuming dilution, there were 301,347 anti-dilutive stock options excluded from the calculation of diluted EPS for the year ended December 31, 2010. The number of options granted to purchase shares of our common stock that were excluded from the computation of diluted EPS for the years ended December 31, 2009 and 2008 because they would be anti-dilutive were 516,386 and 295,624, respectively.

NOTE 5 INVENTORIES

Inventories as of December 31, 2010 and 2009 consist of the following amounts (in thousands):

	2010	2009
Raw materials and construction materials	\$ 17,749	\$ 16,735

Work in process	15,029	17,733
	\$ 32,778	\$ 34,468

NOTE 6 INVESTMENTS, NOTES AND OTHER LONG-TERM RECEIVABLES

Investments, notes and other long-term receivables were \$6.2 million and \$19.3 million at December 31, 2010 and 2009, respectively. Included as investments, notes and other long-term receivables was an investment accounted for using the equity method of accounting of \$13.1 million as of December 31, 2009 relating to a venture with Baltimore Gas & Electric (a subsidiary of Constellation Energy). This venture designs, constructs, owns, operates, leases and maintains facilities to produce chilled water for sale to customers for use in air conditioning commercial properties. As a result of our discounted cash flow analysis, an impairment charge of \$7.0 million was recognized in 2008, to write-down the carrying value of this investment to its estimated fair value. We recorded this other-than-temporary decline in fair value as a component of Cost of Sales on the Consolidated Statements of Operations. In 2009, the venture, using its own cash and cash from additional capital contributions, acquired its outstanding bonds in the principal amount of \$25.0 million. As a result of this, we were required to make an additional capital contribution of \$8.0 million to the venture. In January 2010, this venture, including our investment, was sold to a third party. As a result of this sale, we received \$17.7 million for our 40% interest and recognized a pretax gain of \$4.5 million, which gain is included in our United States facilities services segment and classified as a component of Cost of Sales on the Consolidated Statements of Operations.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 INVESTMENTS, NOTES AND OTHER LONG-TERM RECEIVABLES (Continued)

Additionally in June 2010, we sold our equity interest in a Middle East venture, which performed facilities services, to our partner in the venture. As a result of this sale, we received \$7.9 million and recognized a pretax gain in this amount, which is classified as a Gain on sale of equity investment on the Consolidated Statements of Operations.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying Consolidated Balance Sheets consisted of the following amounts as of December 31, 2010 and 2009 (in thousands):

	2010	2009
Machinery and equipment	\$ 83,500	\$ 77,544
Vehicles	35,027	37,456
Furniture and fixtures	18,344	19,664
Computer hardware/software	77,016	74,794
Land, buildings and leasehold improvements	68,691	67,793
	282,578	277,251
Accumulated depreciation and amortization	(193,963)	(185,194)
	\$ 88,615	\$ 92,057

Depreciation and amortization expense related to property, plant and equipment was \$25.5 million, \$26.8 million and \$25.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

NOTE 8 GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill at December 31, 2010 and 2009 was approximately \$406.8 million and \$593.6 million, respectively, and reflects the excess of cost over fair market value of net identifiable assets of companies acquired. Goodwill attributable to companies acquired in 2010 has been preliminarily valued at \$22.4 million. ASC Topic 805, Business Combinations (ASC 805) requires that all business combinations be accounted for using the acquisition method and that certain identifiable intangible assets acquired in a business combination be recognized as assets apart from goodwill. ASC Topic 350, Intangibles Goodwill and Other (ASC 350) requires goodwill and other identifiable intangible assets with indefinite useful lives not be amortized, such as trade names, but instead must be tested at least annually for impairment (which we test each October 1, absent any impairment indicators) and be written down if impaired. ASC 350 requires that goodwill be allocated to its respective reporting unit and that identifiable intangible assets with finite lives be amortized over their useful lives. As of December 31, 2010, approximately 56.0% of our

goodwill relates to our United States facilities services segment, approximately 43.1% relates to our United States mechanical construction and facilities services segment and approximately 0.9% relates to our United States electrical construction and facilities services segment.

During the third quarter of 2010 and prior to our October 1 annual impairment test, we concluded that impairment indicators may have existed within the United States facilities services segment based upon the year to date results and recent forecasts. As a result of that conclusion, we performed a step one test as prescribed under ASC 350 for that particular reporting unit which concluded that impairment indicators existed within that reporting unit due to significant declines in year to date revenues and operating margins which caused us to revise our expectations for the strength of a near term recovery in our financial models for businesses within that reporting unit. Specifically, we reduced our net sales growth rates and operating margins within our discounted cash flow model, as well as our terminal value growth rates. In addition, we estimated a higher participant risk adjusted weighted average cost of capital. Therefore, the required second step of the assessment for the reporting unit was performed in which the implied fair value of that reporting unit's goodwill was compared to the book value of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, that is, the estimated fair value of the reporting unit is allocated to all of those

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS (Continued)

assets and liabilities of that unit (including both recognized and unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of that reporting unit's goodwill, an impairment loss is recognized in the amount of the excess and is charged to operations. We determined the fair value of the reporting unit using discounted estimated future cash flows. The weighted average cost of capital used in testing for impairment at the interim date was 12.5% with a perpetual growth rate of 2.8% for our United States facilities services segment. As a result of our interim impairment assessment, we recognized a \$210.6 million non-cash goodwill impairment charge in the third quarter of 2010. Additionally, we performed our annual impairment test as of October 1, and no additional impairment of our goodwill was recognized for any of our reporting segments in the fourth quarter of 2010. The weighted average cost of capital used in our annual testing for impairment was 13.2% and 12.2% for our domestic construction segments and our United States facilities services segment, respectively. The perpetual growth rate used for our annual testing was 3.0% for our domestic construction segments and 2.8% for our United States facilities services segment, respectively. For the years ended December 31, 2009 and 2008, no impairment of our goodwill was recognized.

We also test for the impairment of trade names that are not subject to amortization by calculating the fair value using the relief from royalty payments methodology. This approach involves two steps: (a) estimating reasonable royalty rates for each trade name and (b) applying these royalty rates to a net revenue stream and discounting the resulting cash flows to determine fair value. This fair value is then compared with the carrying value of each trade name. If the carrying amount of the trade name is greater than the implied fair value of the trade name, an impairment in the amount of the excess is recognized and charged to operations. The annual impairment review of our trade names for the year ended December 31, 2009 resulted in an \$11.5 million non-cash impairment charge as a result of a change in the fair value of trade names associated with certain prior acquisitions reported within our United States facilities services and United States mechanical construction and facilities services segments. As a result of the continued assessment of the fair value of trade names previously impaired and the interim impairment testing performed during the second and third quarters of 2010, we recorded an additional \$35.5 million non-cash impairment charge of trade names associated with certain prior year acquisitions. These trade names are reported within our United States facilities services segment. The current year impairment primarily results from both lower forecasted revenues from and operating margins at our United States facilities services segment, which has been adversely affected by industry conditions. Additionally, we performed our annual impairment test as of October 1, and no additional impairment of our trade names was recognized for any of our reporting segments in the fourth quarter of 2010. For the year ended December 31, 2008, no impairment of our trade names was recognized.

In addition, we review for the impairment of other identifiable intangible assets that are being amortized whenever facts and circumstances indicate that their carrying values may not be fully recoverable. This test compares their carrying values to the undiscounted pre-tax cash flows expected to result from the use of the assets. If the assets are impaired, the assets are written down to their fair values, generally determined based on their future discounted cash flows. Based on facts and circumstances that indicated an impairment may exist, we performed an impairment review of our other identifiable intangible assets for the year ended December 31, 2009, which resulted in a \$2.0 million

non-cash impairment charge as a result of a change in the fair value of customer relationships associated with certain prior acquisitions reported within our United States mechanical construction and facilities services segment. For the years ended December 31, 2010 and 2008, no impairment of our other identifiable intangible assets was recognized.

Our development of the present value of future cash flow projections used in impairment testing is based upon assumptions and estimates by management from a review of our operating results, business plans, anticipated growth rates and margins and weighted average cost of capital, among others. Much of the information used in assessing fair value is outside the control of management, such as interest rates, and these assumptions and estimates can change in future periods. There can be no assurances that our estimates and assumptions made for purposes of our goodwill and identifiable intangible asset impairment testing will prove to be accurate predictions of the future. If our assumptions regarding business plans or anticipated growth rates and/or margins are not achieved, or there is a rise in interest rates, we may be required, as we were in the second and third quarters of 2010 and in the fourth quarter of 2009, to record goodwill and/or identifiable intangible asset impairment charges in future periods.

During 2010, we recognized a \$246.1 million non-cash impairment charge as discussed above. Of this amount, \$210.6 million relates to goodwill and \$35.5 million relates to trade names. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such a charge would be material.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS (Continued)

The changes in the carrying amount of goodwill by reportable segments during the years ended December 31, 2010 and 2009 were as follows (in thousands):

	United States electrical construction and facilities services segment	United States mechanical construction and facilities services segment	United States facilities services segment	Total
Balance at December 31, 2009	\$ 3,823	\$ 177,740	\$ 412,065	\$ 593,628
Acquisitions, earn-outs and purchase price adjustments			23,778	23,778
Transfers		(2,565)	2,565	
Impairments			(210,602)	(210,602)
Balance at December 31, 2010	\$ 3,823	\$ 175,175	\$ 227,806	\$ 406,804

There may be contingent payments associated with the future performance of certain acquired entities, which may result in an increase to goodwill. During 2010 and 2009, pursuant to the purchase method of accounting, we recorded an aggregate of \$1.4 million and \$9.1 million, respectively, by reason of earn-out obligations in respect of prior acquisitions, which increased goodwill associated with these acquisitions.

Identifiable intangible assets as of December 31, 2010 and 2009 consist of the following (in thousands):

	Gross Carrying Amount	December 31, 2010		Total
		Accumulated Amortization	Accumulated Impairment Charge	
Contract backlog	\$ 42,813	\$ (35,835)	\$	\$ 6,978
Developed technology	91,000	(14,977)		76,023
Customer relationships	133,611	(31,681)	(2,029)	99,901
Non-competition agreements	8,807	(6,670)		2,137
Trade names (unamortized)	107,026		(46,976)	60,050

Total	\$ 383,257	\$ (89,163)	\$ (49,005)	\$ 245,089
-------	------------	-------------	-------------	------------

	December 31, 2009			
	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Charge	Total
Contract backlog	\$ 34,505	\$ (33,294)	\$	\$ 1,211
Developed technology	91,000	(10,427)		80,573
Customer relationships	117,684	(24,021)	(2,029)	91,634
Non-competition agreements	7,243	(5,004)		2,239
Trade names (unamortized)	100,362		(11,497)	88,865
Total	\$ 350,794	\$ (72,746)	\$ (13,526)	\$ 264,522

Identifiable intangible assets attributable to companies acquired in 2010 and 2009 have been preliminarily valued at \$32.5 million and \$4.0 million, respectively. See Note 3 Acquisitions of Businesses of the notes to consolidated financial statements for additional information. The identifiable intangible amounts are amortized on a straight-line basis. The amortization periods range from 17 months to 21 months for contract backlog, 20 years for developed technology, 5 to 20 years for customer relationships, and 3 to 7 years for non-competition agreements.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS (Continued)

Amortization expense related to identifiable intangible assets was \$16.4 million, \$19.0 million and \$23.4 million for the years ended December 31, 2010, 2009 and 2008, respectively. The following table presents the estimated future amortization expense of identifiable intangible assets in the following years (in thousands):

2011	\$ 18,744
2012	15,535
2013	12,864
2014	12,326
2015	12,326
Thereafter	113,244
	\$ 185,039

NOTE 9 DEBT

Credit Facilities

Until February 4, 2010, we had a revolving credit agreement (the Old Revolving Credit Facility) as amended, which provided for a credit facility of \$375.0 million. Effective February 4, 2010, we replaced the Old Revolving Credit Facility that was due to expire October 17, 2010 with an amended and restated \$550.0 million revolving credit facility (the 2010 Revolving Credit Facility). The 2010 Revolving Credit Facility expires in February 2013. It permits us to increase our borrowing to \$650.0 million if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to \$175.0 million of the borrowing capacity under the 2010 Revolving Credit Facility to letters of credit, which amount compares to \$125.0 million under the Old Revolving Credit Facility. The 2010 Revolving Credit Facility is guaranteed by certain of our direct and indirect subsidiaries and is secured by substantially all of our assets and most of the assets of most of our subsidiaries. The 2010 Revolving Credit Facility contains various covenants requiring, among other things, maintenance of certain financial ratios and certain restrictions with respect to payment of dividends, common stock repurchases, investments, acquisitions, indebtedness and capital expenditures. A commitment fee is payable on the average daily unused amount of the 2010 Revolving Credit Facility. The fee is 0.5% of the unused amount. Borrowings under the 2010 Revolving Credit Facility bear interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at December 31, 2010) plus 1.75% to 2.25%, based on certain financial tests or (2) United States dollar LIBOR (0.26% at December 31, 2010) plus 2.75% to 3.25%, based on certain financial tests. The interest rate in effect at December 31, 2010 was 3.01%. Letter of credit fees issued under this facility range from 2.75% to 3.25% of the respective face amounts of the letters of credit issued and are charged based on certain financial tests. We capitalized approximately \$6.0 million of debt issuance costs associated with the 2010 Revolving Credit Facility. This amount is being amortized over the life of the facility and is included as part of interest expense. In connection with

the termination of the Old Revolving Credit Facility, less than \$0.1 million attributable to the acceleration of expense for debt issuance costs was recorded as part of interest expense. As of December 31, 2010 and December 31, 2009, we had approximately \$82.4 million and \$68.9 million of letters of credit outstanding, respectively. There were no borrowings under the Old Revolving Credit Facility as of December 31, 2009. We have borrowings of \$150.0 million outstanding under the 2010 Revolving Credit Facility at December 31, 2010, which may remain outstanding at our discretion until the 2010 Revolving Credit Facility expires.

Term Loan

On September 19, 2007, we entered into an agreement providing for a \$300.0 million term loan (*Term Loan*). The proceeds of the Term Loan were used to pay a portion of the consideration for an acquisition and costs and expenses incident thereto. In connection with the closing of the 2010 Revolving Credit Facility, we proceeded to borrow \$150.0 million under this facility and used the proceeds along with cash on hand to prepay on February 4, 2010 all indebtedness outstanding under the Term Loan. In

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 DEBT (Continued)

connection with this prepayment, \$0.6 million attributable to the acceleration of expense for debt issuance costs associated with the Term Loan was recorded as part of interest expense.

Long-term debt in the accompanying Consolidated Balance Sheets consisted of the following amounts as of December 31, 2010 and 2009 (in thousands):

	2010	2009
2010 Revolving Credit Facility	\$ 150,000	\$
Term Loan, interest payable in varying amounts through 2010		194,750
Capitalized Lease Obligations, at weighted average interest rates from 5.0% to 9.3% payable in varying amounts through 2014	1,649	601
Other, payable through 2012	24	
	151,673	195,351
Less: current maturities	489	45,100
	\$ 151,184	\$ 150,251

Capitalized Lease Obligations

See Note 16 Commitments and Contingencies of the notes to consolidated financial statements for additional information.

Other Long-Term Debt

As of December 31, 2010, other long-term debt consisted primarily of loans for various field equipment.

NOTE 10 DERIVATIVE INSTRUMENT AND HEDGING ACTIVITY

On January 27, 2009, we entered into an interest rate swap agreement (the Swap Agreement), which hedged the interest rate risk on our variable rate debt. The Swap Agreement matured in October 2010 and was used to manage the variable interest rate of our borrowings and related overall cost of borrowing. We mitigated the risk of counterparty nonperformance by choosing as our counterparty a major reputable financial institution with an investment grade credit rating.

The derivative was recognized as either an asset or liability on our Consolidated Balance Sheets with measurement at fair value, and changes in the fair value of the derivative instrument were reported in either net income, included as part of interest expense, or other comprehensive income, depending on the designated use of the derivative and whether or not it met the criteria for hedge accounting. The fair value of this instrument reflected the net amount required to settle the position. The accounting for gains and losses associated with changes in fair value of the derivative and the related effects on the consolidated financial statements was subject to their hedge designation and whether they met effectiveness standards.

We paid a fixed rate on the Swap Agreement of 2.225% and received a floating rate of 30 day LIBOR on the notional amount. A portion of the interest rate swap had been designated as an effective cash flow hedge, whereby changes in the cash flows from the swap perfectly offset the changes in the cash flows associated with the floating rate of interest. See Note 9 Debt of the notes to consolidated financial statements for additional information. The fair value of the interest rate swap at December 31, 2009 was a net liability of \$1.2 million. This liability reflected the interest rate swap's termination value as the credit value adjustment for counterparty nonperformance was immaterial. We had no obligation to post any collateral related to this derivative. The fair value of the interest swap was based upon the valuation technique known as the market standard methodology of netting the discounted future fixed cash flows and the discounted expected variable cash flows. The variable cash flows were based on an expectation of future interest rates (forward curves) derived from observable interest rate curves. In addition, we had incorporated a credit valuation adjustment into our calculation of fair value of the interest rate swap. This adjustment recognized both our nonperformance risk and

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10 DERIVATIVE INSTRUMENT AND HEDGING ACTIVITY (Continued)

the counterparty's nonperformance risk. The net liability was included in Other accrued expenses and liabilities on our Consolidated Balance Sheet. Accumulated other comprehensive loss at December 31, 2009 included the accumulated loss, net of income taxes, on the cash flow hedge, of \$0.6 million.

On December 1, 2009, we de-designated \$45.5 million of the interest rate swap as it was determined that it was no longer probable that the future estimated cash flows were going to occur as originally estimated. We discontinued the application of hedge accounting associated with this portion of the interest rate swap, and \$0.2 million and \$0.3 million was expensed as part of interest expense, and removed from Accumulated other comprehensive loss, for the years ended December 31, 2010 and 2009, respectively.

As of December 31, 2009, the fair value of our derivative was \$1.2 million and was in a net liability position reflecting the interest rate swap's termination value as the credit value adjustment for counterparty nonperformance was immaterial. As of December 31, 2010, we have no derivatives and/or hedging instruments outstanding.

NOTE 11 FAIR VALUE MEASUREMENTS

In 2008, we adopted the provisions of ASC 820 Fair Value Measurements and Disclosures, which provides guidance to (i) all applicable financial assets and liabilities and (ii) non-financial assets and liabilities that are recognized or disclosed at fair value in our financial statements on a recurring basis. In January 2009, we adopted an accounting standard update related to ASC 820, which applies this guidance to all remaining assets and liabilities measured on a non-recurring basis at fair value. We use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, which gives the highest priority to quoted prices in active markets, is comprised of the following three levels:

Level 1 Unadjusted quoted market prices in active markets for identical assets and liabilities.

Level 2 Observable inputs, other than Level 1 inputs. Level 2 inputs would typically include quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the measurement and unobservable.

At December 31, 2010 and 2009, we had \$95.7 million and \$30.2 million, respectively, in money market funds, included within Cash and cash equivalents in the accompanying Consolidated Balance Sheets, which are Level 1 assets.

We believe that the carrying values of our financial instruments, which include accounts receivable and other financing commitments, approximate their fair values due primarily to their short-term maturities and low risk of counterparty default. The carrying value of our 2010 Revolving Credit Facility approximates the fair value due to the variable rate on such debt.

We measured the fair value of our derivative instrument on a recurring basis. At December 31, 2009, the \$1.2 million fair value of the interest rate swap was determined using Level 2 inputs. There are no derivatives outstanding as of December 31, 2010.

At December 31, 2010 and 2009, we had certain assets, specifically \$257.9 million and \$60.6 million, respectively, of goodwill and/or indefinite lived intangible assets, which were accounted for at fair market value on a non-recurring basis. We have determined that the fair value measurements of these non-financial assets are Level 3 in the fair value hierarchy. See Note 8 Goodwill and Identifiable Intangible Assets for a further discussion.

NOTE 12 INCOME TAXES

Our 2010 income tax provision was \$52.4 million compared to \$96.2 million for 2009 and \$116.6 million for 2008 based on effective income tax rates, before the tax effect of non-cash impairment charges, of approximately 36.8%, 37.4% and 39.0%, respectively. The actual income tax rates for the year ended December 31, 2010, 2009 and 2008, inclusive of non-cash impairment charges, were (152.8)%, 37.4% and 39.0%, respectively. The decrease in the 2010 income tax provision was primarily due to reduced income before income taxes and a change in the allocation of earnings among various jurisdictions.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 INCOME TAXES (Continued)

The Company recognized a non-cash goodwill impairment charge of approximately \$210.6 million during 2010. Approximately \$34.0 million of this impairment is deductible for income tax purposes. The remaining \$176.6 million of this impairment is not deductible for income tax purposes. This non-deductible portion significantly impacts the effective tax rate for 2010.

Our 2009 income tax provision was \$96.2 million. The decrease in our 2009 income tax provision was primarily due to reduced income before income taxes compared to 2008. Our 2008 income tax provision was \$116.6 million.

We file income tax returns with the Internal Revenue Service and various state, local and foreign jurisdictions. The Company is currently under examination by various states for the years 2004 through 2009. The Internal Revenue Service has completed its audit of our federal income tax returns for the years 2005 through 2007. We agreed to and paid an assessment proposed by the Internal Revenue Service pursuant to such audit. We recorded a charge of approximately \$2.0 million, inclusive of interest, as a result of this audit in 2009.

As of December 31, 2010 and 2009, the amount of unrecognized income tax benefits was \$6.5 million and \$7.5 million (of which \$4.2 million and \$5.4 million, if recognized, would favorably affect our effective income tax rate), respectively. At December 31, 2010 and 2009, we had an accrual of \$2.3 million and \$2.2 million, respectively, for the payment of interest related to unrecognized income tax benefits included on the Consolidated Balance Sheets. During the years ended December 31, 2010 and 2009, we recognized approximately \$0.1 million in interest expense and \$1.5 million in interest income related to our unrecognized income tax benefits, respectively. As of December 31, 2010 and 2009, we had total income tax reserves of \$8.8 million (\$8.8 million included in Other long-term obligations) and \$9.7 million (\$9.0 million included in Other long-term obligations and \$0.7 million included in Prepaid expenses and other), respectively.

A reconciliation of the beginning and end of year unrecognized income tax benefits is as follows (in thousands):

	2010	2009
Balance at beginning of year	\$ 7,534	\$ 9,574
Additions based on tax positions related to the current year	865	623
Additions based on tax positions related to prior years	328	
Reductions for tax positions of prior years	(915)	(1,321)
Reductions for expired statute of limitations	(1,299)	(1,342)
Balance at end of year	\$ 6,513	\$ 7,534

It is possible that approximately \$4.7 million of unrecognized income tax benefits at December 31, 2010, primarily relating to uncertain tax positions attributable to certain intercompany transactions and compensation related accruals, will become recognized income tax benefits in the next twelve months due to the expiration of applicable statutes of limitations and anticipated settlements of audits.

The income tax provision (benefit) in the accompanying Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008 consisted of the following (in thousands):

	2010	2009	2008
Current:			
Federal provision	\$ 55,878	\$ 73,262	\$ 94,171
State and local provisions	14,079	17,526	22,036
Foreign (benefit) provision	(2,217)	2,483	9,873
	67,740	93,271	126,080
Deferred	(15,345)	2,922	(9,492)
	\$ 52,395	\$ 96,193	\$ 116,588

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 INCOME TAXES (Continued)

Factors accounting for the variation from U.S. statutory income tax rates for the years ended December 31, 2010, 2009 and 2008 were as follows (in thousands):

	2010	2009	2008
Federal income taxes at the statutory rate	\$ (10,601)	\$ 90,745	\$ 105,253
Noncontrolling interests	(1,403)	(812)	(676)
State and local income taxes, net of federal tax benefits	6,374	10,279	13,421
Permanent differences	(1,401)	(1,201)	1,126
Goodwill impairment	61,827		
Foreign income taxes	(1,065)	(923)	(1,269)
Adjustments to valuation allowance for deferred tax assets	(2,812)	(151)	(3,395)
Federal tax reserves	(1,153)	(1,600)	1,509
Other	2,629	(144)	619
	\$ 52,395	\$ 96,193	\$ 116,588

The components of the net deferred income tax asset are included in Prepaid expenses and other of \$25.0 million,

Other assets of \$17.0 million, Other accrued expenses and liabilities of \$3.9 million and Other long-term obligations of \$32.9 million at December 31, 2010, and the components of net deferred income tax liability are included in

Prepaid expenses and other of \$40.8 million, Other assets of \$25.2 million, Other accrued expenses and liabilities of \$1.0 million and Other long-term obligations of \$71.8 million at December 31, 2009 in the accompanying Consolidated Balance Sheets.

The amounts recorded for the years ended December 31, 2010 and 2009 were as follows (in thousands):

	2010	2009
Deferred income tax assets:		
Excess of amounts expensed for financial statement purposes over amounts deducted for income tax purposes:		
Insurance liabilities	\$ 46,711	\$ 42,500
Pension liability	15,310	22,186
Other liabilities and reserves	80,308	65,396
Total deferred income tax assets	142,329	130,082

Valuation allowance for deferred tax assets	(783)	(3,984)
Net deferred income tax assets	141,546	126,098
Deferred income tax liabilities:		
Costs capitalized for financial statement purposes and deducted for income tax purposes:		
Amortization of identifiable intangible assets	(118,886)	(118,754)
Other, primarily depreciation of property, plant and equipment	(17,488)	(14,129)
Total deferred income tax liabilities	(136,374)	(132,883)
Net deferred income tax assets (liabilities)	\$ 5,172	\$ (6,785)

We file a consolidated federal income tax return including all of our U.S. subsidiaries. As of December 31, 2010 and 2009, the total valuation allowance on net deferred income tax assets was approximately \$0.8 million and \$4.0 million, respectively. The reason for the decrease in the valuation allowance for 2010 was related to the utilization of capital loss carryforwards. Realization of the deferred income tax assets is dependent on our generating sufficient taxable income. We believe that the deferred income tax assets will be realized through the future reversal of existing taxable temporary differences and projected future income. Although

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 INCOME TAXES (Continued)

realization is not assured, we believe it is more likely than not that the deferred income tax asset, net of the valuation allowance discussed above, will be realized. The amount of the deferred income tax asset considered realizable, however, could be reduced if estimates of future income are reduced.

Income (loss) before income taxes for the years ended December 31, 2010, 2009 and 2008 consisted of the following (in thousands):

	2010	2009	2008
United States	\$ (46,115)	\$ 235,381	\$ 271,006
Foreign	15,826	23,889	29,717
	\$ (30,289)	\$ 259,270	\$ 300,723

We have not recorded deferred income taxes on the undistributed earnings of our foreign subsidiaries because of our intent to indefinitely reinvest such earnings. Upon distribution of these earnings in the form of dividends or otherwise, we may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of taxes that may be payable if such earnings or invested capital was repatriated to the United States.

NOTE 13 COMMON STOCK

As of December 31, 2010 and 2009, 66,660,551 and 66,187,344 shares of our common stock were outstanding, respectively.

NOTE 14 SHARE-BASED COMPENSATION PLANS

We have an incentive plan under which stock options, stock awards, stock units and other share-based compensation may be granted to officers, non-employee directors and key employees of the Company. Under the terms of this plan, 3,250,000 shares were authorized and 3,090,000 shares are available for grant or issuance as of December 31, 2010. Any issuances under this plan are valued at the fair market value of the common stock on the grant date. The vesting and expiration of any stock option grants and the vesting of any stock awards or stock units are determined by the Compensation Committee at the time of the grant. Additionally, we have outstanding stock options and stock units that were issued under other plans, and no further grants may be made under these plans.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14 SHARE-BASED COMPENSATION PLANS (Continued)

The following table summarizes activity regarding our stock options and awards of shares and stock units since December 31, 2007:

	Stock Options		Restricted Stock Units		
	Shares	Weighted Average Price		Shares	Weighted Average Price
Balance, December 31, 2007	4,788,086	\$ 11.93	Balance, December 31, 2007	447,224	\$ 20.20
Granted	199,998	\$ 26.33	Granted	135,337	\$ 23.01
Forfeited			Forfeited		
Exercised	(249,736)	\$ 9.64	Issued	(78,133)	\$ 14.68
Balance, December 31, 2008	4,738,348	\$ 12.66	Balance, December 31, 2008	504,428	\$ 21.81
Granted	210,764	\$ 21.08	Granted	128,563	\$ 23.17
Forfeited			Forfeited		
Exercised	(413,938)	\$ 6.77	Issued	(258,102)	\$ 18.27
Balance, December 31, 2009	4,535,174	\$ 13.59	Balance, December 31, 2009	374,889	\$ 24.71
Granted	175,723	\$ 24.78	Granted	110,335	\$ 27.88
Forfeited			Forfeited		
Exercised	(294,124)	\$ 9.58	Issued	(120,036)	\$ 28.13
Balance, December 31, 2010	4,416,773	\$ 14.31	Balance, December 31, 2010	365,188	\$ 24.54

In addition, 8,610, 2,071 and 2,096 shares were granted to certain non-employee directors pursuant to annual retainer arrangements during the years ended December 31, 2010, 2009 and 2008, respectively. The shares awarded to non-employee directors and stock units awarded to employees were pursuant to incentive plans for which \$3.6 million, \$3.5 million and \$3.9 million of compensation expense was recognized for the years ended December 31, 2010, 2009 and 2008, respectively. We have \$1.6 million of compensation expense, net of income taxes, which will be recognized over the remaining vesting period related to the stock units awarded to employees. We had outstanding phantom equity units, which were settled in cash based upon the value of our stock price, for which \$1.4 million, \$0.1 million and \$1.2 million of income was recognized for the years ended December 31, 2010, 2009 and 2008, respectively. These variations were due to changes in the market price of our common stock from the award date. There were no phantom equity units outstanding as of December 31, 2010.

Compensation expense of \$2.1 million, \$2.0 million and \$2.0 million for the years ended December 31, 2010, 2009 and 2008, respectively, was recognized due to the vesting of stock option grants. All outstanding stock options were fully vested as of December 31, 2010. As a result of stock option exercises, \$2.8 million, \$2.8 million and \$2.4 million of proceeds were received during the years ended December 31, 2010, 2009 and 2008, respectively. The income tax benefit derived in 2010, 2009 and 2008 as a result of such exercises and share-based compensation was \$2.0 million, \$2.2 million and \$1.8 million, respectively, of which \$1.5 million, \$2.2 million and \$1.2 million, respectively, represented excess tax benefits.

The total intrinsic value of options (the amounts by which the stock price exceeded the exercise price of the option on the date of exercise) that was exercised during 2010, 2009 and 2008 was \$5.2 million, \$7.3 million and \$4.1 million, respectively.

At December 31, 2010, 2009 and 2008, 4,416,773, 4,535,174 and 4,738,348 options were exercisable, respectively. The weighted average exercise price of exercisable options at December 31, 2010, 2009 and 2008 was approximately \$14.31, \$13.59 and \$12.66, respectively.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14 SHARE-BASED COMPENSATION PLANS (Continued)

The following table summarizes information about our stock options as of December 31, 2010:

Range of Exercise Prices	Stock Options Outstanding and Exercisable Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$9.67 - \$10.58	561,332	1.52 Years	\$10.29
\$10.96 - \$13.20	2,425,592	3.14 Years	\$11.36
\$13.68 - \$22.90	907,738	3.25 Years	\$16.64
\$23.17 - \$28.13	402,111	6.38 Years	\$25.92
\$36.03	120,000	4.47 Years	\$36.03

The total aggregate intrinsic value of options outstanding and exercisable as of December 31, 2010, 2009 and 2008 were approximately \$64.8 million, \$60.4 million and \$46.3 million, respectively.

The fair value on the date of grant was calculated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants during the periods indicated:

	For the Years Ended December 31,		
	2010	2009	2008
Dividend yield	0%	0%	0%
Expected volatility	45.7%	46.9%	34.2%
Risk-free interest rate	2.6%	2.5%	3.4%
Expected life of options in years	6.7	5.1	5.0
Weighted average grant date fair value	\$ 12.18	\$ 9.18	\$ 9.51

Forfeitures of stock options have been historically insignificant to the calculation and are estimated to be zero in all periods presented.

We have an employee stock purchase plan. Under the terms of this plan, the maximum number of shares of our common stock that may be purchased is 3,000,000 shares. Generally, our employees and non-union employees of our United States and Canadian subsidiaries are eligible to participate in this plan. Employees covered by collective bargaining agreements generally are not eligible to participate in this plan.

NOTE 15 RETIREMENT PLANS

Defined Benefit Plans

Our United Kingdom subsidiary has a defined benefit pension plan covering all eligible employees (the UK Plan). On October 31, 2001, the UK Plan was closed to new entrants. As a result, employees joining the subsidiary after this date were not eligible to participate in the plan. On May 31, 2010, we curtailed the future accrual of benefits for active employees participating in this plan. As a result of this curtailment, we recognized a reduction of the projected benefit obligation and recorded a curtailment gain of \$6.4 million, which will be amortized in the future through net periodic pension cost. This defined pension plan was replaced by a defined contribution plan. The benefits under the UK Plan are based on wages and years of service with the subsidiary up to the date of the curtailment. Our policy is to fund at least the minimum amount required by law, but we have agreed with the UK Plan Trustees to fund additional amounts and in conjunction with the curtailment, we made a one-time contribution of \$25.9 million to the UK Plan. The measurement date of the UK Plan is December 31 of each year.

We account for our UK Plan and other defined benefit plans in accordance with ASC 715, Compensation Retirement Benefits (ASC 715). ASC 715 requires that (a) the funded status, which is measured as the difference between the fair value of

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15 RETIREMENT PLANS (Continued)

plan assets and the projected benefit obligations, be recorded in our balance sheet with a corresponding adjustment to accumulated other comprehensive income (loss) and (b) gains and losses for the differences between actuarial assumptions and actual results, and unrecognized service costs, be recognized through accumulated other comprehensive income (loss). These amounts will be subsequently recognized as net periodic pension cost.

The change in benefit obligations and assets of the UK Plan for the years ended December 31, 2010 and 2009 consisted of the following components (in thousands):

	2010	2009
Change in pension benefit obligation		
Benefit obligation at beginning of year	\$ 253,730	\$ 192,419
Service cost	1,458	3,152
Interest cost	13,399	11,982
Plan participants' contributions	523	1,530
Actuarial loss	8,445	33,088
Curtailement gain	(6,374)	
Benefits paid	(12,052)	(10,411)
Foreign currency exchange rate changes	(9,281)	21,970
 Benefit obligation at end of year	 249,848	 253,730
Change in pension plan assets		
Fair value of plan assets at beginning of year	174,426	133,259
Actual return on plan assets	20,679	26,681
Employer contributions	33,135	8,192
Plan participants' contributions	523	1,530
Benefits paid	(12,052)	(10,411)
Foreign currency exchange rate changes	(3,778)	15,175
 Fair value of plan assets at end of year	 212,933	 174,426
 Funded status at end of year	 \$ (36,915)	 \$ (79,304)

Amounts not yet reflected in net periodic benefit cost and included in Accumulated other comprehensive loss:

	2010	2009
Unrecognized losses	\$ 68,955	\$ 81,639

The underfunded status of the UK Plan of \$36.9 million and \$79.3 million at December 31, 2010 and 2009, respectively, is included in Other long-term obligations in the accompanying Consolidated Balance Sheets. No plan assets are expected to be returned to us during the year ended December 31, 2011.

The weighted-average assumptions used to determine benefit obligations as of December 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	5.3%	5.7%
Annual rate of salary provision		4.5%

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15 RETIREMENT PLANS (Continued)

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
Discount rate	5.6%	5.8%	5.6%
Annual rate of salary provision		3.8%	4.2%
Annual rate of return on plan assets	7.0%	6.8%	6.8%

The annual rate of return on plan assets is based on the yield of risk-free bonds, plus an estimated equity-risk premium, at each year's measurement date. This annual rate approximates the historical annual return on plan assets and considers the expected asset allocation between equity and debt securities. For measurement purposes of the liability, the annual rates of inflation of covered pension benefits assumed for 2010 and 2009 were 3.4% and 3.5%, respectively.

The components of net periodic pension benefit cost for the years ended December 31, 2010, 2009 and 2008 were as follows (in thousands):

	2010	2009	2008
Service cost	\$ 1,458	\$ 3,152	\$ 4,361
Interest cost	13,399	11,982	14,283
Expected return on plan assets	(12,245)	(9,744)	(14,305)
Amortization of unrecognized loss	2,914	4,229	2,053
Net periodic pension benefit cost	\$ 5,526	\$ 9,619	\$ 6,392

The estimated unrecognized loss for the UK Plan that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the next year is approximately \$1.5 million.

UK Plan Assets

The weighted average asset allocations and weighted average target allocations at December 31, 2010 and 2009 were as follows:

Asset Category	Target Asset Allocation	December 31, 2010	December 31, 2009
Equity securities	65.0%	67.4%	71.0%
Debt securities	35.0	32.5	28.5
Cash		0.1	0.5
Total	100.0%	100.0%	100.0%

Plan assets of our UK Plan are invested in marketable equity and equity like securities through various funds. These funds invest in a diverse geographical range of investments, including the United Kingdom, the United States and other international locations, such as Asia-Pacific and other European locations. Debt securities are invested in funds that invest in UK corporate bonds and UK government bonds.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15 RETIREMENT PLANS (Continued)

The following tables set forth by level, within the fair value hierarchy discussed in Note 11 Fair Value Measurements, the assets of the UK Plan at fair value as of December 31, 2010 and 2009 (in thousands):

Asset Category	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Equity and equity like investments	\$	\$ 138,372	\$ 5,003	\$ 143,375
Corporate bonds		47,469		47,469
Government bonds		21,800		21,800
Cash	289			289
Total	\$ 289	\$ 207,641	\$ 5,003	\$ 212,933

Asset Category	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Equity and equity like investments	\$	\$ 120,304	\$ 3,569	\$ 123,873
Corporate bonds		28,122		28,122
Government bonds		21,503		21,503
Cash	928			928
Total	\$ 928	\$ 169,929	\$ 3,569	\$ 174,426

In regards to the plan assets of our UK Plan, investment amounts have been allocated within the fair value hierarchy across all three levels. The characteristics of the assets that sit within each level are summarized as follows:

Level 1 This asset represents cash.

Level 2 These assets are a combination of the following:

- (a) Assets that are not exchange traded but have a unit price that is based on the net asset value of the fund. The unit prices are not quoted but the underlying assets held by the fund are either:

(i) held in a variety of listed investments

(ii) held in UK treasury bonds or corporate bonds with the asset value being based on fixed income streams. Some of the underlying bonds are also listed on regulated markets.

It is the value of the underlying assets that have been used to calculate the unit price of the fund.

(b) Assets that are not exchange traded but have a unit price that is based on the net asset value of the fund. The unit prices are quoted. The underlying assets within these funds comprise cash or assets that are listed on a regulated market (i.e. the values are based on observable market data) and it is these values that are used to calculate the unit price of the fund.

Level 3 Assets that are not exchange traded but have a unit price that is based on the net asset value of the fund. The unit prices are not quoted and are not available on any market.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15 RETIREMENT PLANS (Continued)

The table below sets forth a summary of changes in the fair value of the UK Plan's Level 3 assets for the years ended December 31, 2010 and 2009 (in thousands):

Equity and Equity Like Investments	2010	2009
Start of year balance	\$ 3,569	\$ 2,851
Actual return on plan assets, relating to assets still held at reporting date	405	398
Purchases, sales and settlements, net	1,139	
Change due to exchange rate changes	(110)	320
End of year balance	\$ 5,003	\$ 3,569

The investment policies and strategies for the plan assets are established by the plan trustees (who are independent from the company) to achieve a reasonable balance between risk, likely return and administration expense, as well as to maintain funds at a level to meet minimum funding requirements. In order to ensure that an appropriate investment strategy is in place, an analysis of the UK Plan's assets and liabilities is completed periodically.

Cash Flows:

Contributions

Our United Kingdom subsidiary expects to contribute approximately \$5.4 million to its UK Plan in 2011.

Estimated Future Benefit Payments

The following estimated benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the following years (in thousands):

	Pension Benefits
2011	\$ 10,682
2012	10,812
2013	11,372
2014	11,900
2015	13,216

Succeeding five years 76,546

The following table shows certain information for the UK Plan where the accumulated benefit obligation is in excess of plan assets as of December 31, 2010 and 2009 (in thousands):

	2010	2009
Projected benefit obligation	\$ 249,848	\$ 253,730
Accumulated benefit obligation	\$ 249,848	\$ 225,855
Fair value of plan assets	\$ 212,933	\$ 174,426

We also sponsor two domestic defined benefit plans in which participation by new individuals is frozen. The benefit obligation associated with these plans as of December 31, 2010 and 2009 was approximately \$6.1 million and \$5.4 million, respectively. The estimated fair value of the plan assets as of December 31, 2010 and 2009 was approximately \$5.0 million and \$4.7 million, respectively. The plan assets are considered Level 1 assets within the fair value hierarchy and are predominantly invested in cash,

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15 RETIREMENT PLANS (Continued)

equities, and equity and bond funds. The pension liability balances as of December 31, 2010 and 2009 are classified as Other long-term obligations on the accompanying Consolidated Balance Sheets. The measurement date for these two plans is December 31 of each year. The major assumptions used in the actuarial valuations to determine benefit obligations as of December 31, 2010 and 2009 included discount rates of 5.25% and 5.00% for the 2010 period and a discount rate of 6.0% for the 2009 period for both plans. Also, included was an expected rate of return of 7.5% for the 2010 and 2009 periods for both plans. The estimated loss for these plans that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the next year is approximately \$0.2 million. The future estimated benefit payments expected to be paid from the plans for the next ten years is approximately \$0.4 million per year.

Multi-Employer Pension Plans

We participate in numerous multi-employer pension plans (MEPPs) that provide retirement benefits to certain union employees in accordance with various collective bargaining agreements. As one of a multitude of participating employers in these MEPPs, we are jointly responsible for any plan underfunding. Our contributions to a particular MEPP are established by the applicable collective bargaining agreements; however, our required contributions may increase based on the funded status of an MEPP and legal requirements of the Pension Protection Act, which requires substantially underfunded MEPPs to implement rehabilitation plans to improve their funded status. Factors that could impact funded status of an MEPP include, without limitation, investment performance, changes in the participant demographics, decline in the number of contributing employers and changes in actuarial assumptions. In addition, we could be obligated to make additional contributions if we either cease to have an obligation to contribute to an MEPP or significantly reduce our contributions to an MEPP because we reduce the number of employees contributing to the MEPP by reason of layoffs or closure of a subsidiary, and the MEPP has unfunded vested benefits. The amount of such additional contributions (known as a withdrawal liability) would equal our proportionate share of the MEPP's unfunded vested benefits. We believe that certain of the MEPPs in which we participate may have unfunded vested benefits. Due to uncertainty regarding future factors that could trigger withdrawal liability, as well as the absence of specific information regarding the MEPP's current financial situation, we are unable to determine (a) the amount and timing of our future withdrawal liability, if any, and (b) whether our participation in these MEPPs could have a material adverse impact on our financial condition, results of operations or liquidity. Our regular scheduled contributions to the MEPPs approximated \$176.2 million, \$188.2 million and \$221.1 million for the years ended December 31, 2010, 2009 and 2008, respectively. We have not recognized any withdrawal liabilities for the years ended December 31, 2010 and 2008. We recorded approximately \$1.0 million for withdrawal liabilities for the year ended December 31, 2009.

Defined Contribution Plans

We have defined contribution retirement and savings plans that cover eligible employees in the United States. Contributions to these plans are based on a percentage of the employee's base compensation. The expenses recognized for the years ended December 31, 2010, 2009 and 2008 for these plans were \$11.0 million, \$9.7 million and

\$9.3 million, respectively. At our discretion, we may make additional supplemental matching contributions to a defined contribution retirement and savings plan. The supplemental contributions for the years ended December 31, 2010, 2009 and 2008 were \$6.2 million, \$7.6 million and \$5.6 million, respectively.

Our United Kingdom subsidiary has defined contribution retirement plans. The expense recognized for the years ended December 31, 2010, 2009 and 2008 was \$5.1 million, \$3.3 million and \$3.7 million, respectively. The increase in the expense recognized for 2010 compared to 2009 was primarily due to the UK Plan being curtailed and replaced by a defined contribution plan.

Our Canadian subsidiary has a defined contribution retirement plan. The expense recognized was \$0.3 million for the years ended December 31, 2010, 2009 and 2008, respectively.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 COMMITMENTS AND CONTINGENCIES

Commitments

We lease land, buildings and equipment under various leases. The leases frequently include renewal options and escalation clauses and require us to pay for utilities, taxes, insurance and maintenance expenses.

Future minimum payments, by year and in the aggregate, under capital leases, non-cancelable operating leases and related subleases with initial or remaining terms of one or more years at December 31, 2010, were as follows (in thousands):

	Capital Leases	Operating Leases	Sublease Income
2011	\$ 597	\$ 51,560	\$ 1,007
2012	453	38,729	1,011
2013	443	29,079	963
2014	433	22,816	676
2015		18,881	553
Thereafter		30,832	43
Total minimum lease payment	1,926	\$ 191,897	\$ 4,253
Amounts representing interest	(277)		
Present value of net minimum lease payments	\$ 1,649		

Rent expense for operating leases and other rental items, including short-term equipment rentals charged to cost of sales for our construction contracts, for the years ended December 31, 2010, 2009 and 2008 was \$90.0 million, \$97.4 million and \$108.2 million, respectively. Rent expense for the years ended December 31, 2010, 2009 and 2008 was reported net of sublease rental income of \$0.9 million, \$0.7 million and \$0.6 million, respectively.

Contractual Guarantees

We have agreements with our executive officers and certain other key management personnel providing for severance benefits for such employees upon termination of their employment under certain circumstances.

We are contingently liable to sureties in respect of performance and payment bonds issued by sureties, usually at the request of customers in connection with construction projects, which secure our payment and performance obligations under contracts for such projects. In addition, at the request of labor unions representing certain of our employees, bonds are sometimes provided to secure obligations for wages and benefits payable to or for such employees. Our

bonding requirements typically increase as the amount of public sector work increases. As of December 31, 2010, based on our percentage-of-completion of our projects covered by surety bonds, our aggregate estimated exposure, had there been defaults on all our then existing contractual obligations, was approximately \$1.4 billion. The surety bonds are issued by surety companies in return for premiums, which vary depending on the size and type of bond. We have agreed to indemnify the sureties for amounts, if any, paid by them in respect of bonds issued on our behalf.

We are subject to regulation with respect to the handling of certain materials used in construction, which are classified as hazardous or toxic by federal, state and local agencies. Our practice is to avoid participation in projects principally involving the remediation or removal of such materials. However, when remediation is required as part of our contract performance, we believe we comply with all applicable regulations governing the discharge of material into the environment or otherwise relating to the protection of the environment.

At December 31, 2010, we employed over 24,000 people, approximately 65% of whom are represented by various unions pursuant to more than 400 collective bargaining agreements between our individual subsidiaries and local unions. We believe that our employee relations are generally good. Only two of these collective bargaining agreements are national or regional in scope.

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 COMMITMENTS AND CONTINGENCIES (Continued)

Restructuring expenses, primarily relating to employee severance obligations and leased facilities, were \$4.3 million, \$6.0 million and \$1.8 million for 2010, 2009 and 2008, respectively. The 2010 restructuring expenses were primarily attributable to our Canadian operations and our United States electrical construction and facilities services segment. The 2009 restructuring expenses were primarily related to our Canadian and UK operations, while the 2008 restructuring expenses were primarily related to our UK operations. As of December 31, 2010, 2009 and 2008, the balance of our severance obligations was \$1.0 million, \$1.7 million and \$0.5 million, respectively. The severance obligations outstanding as of December 31, 2009 and 2008 were paid during 2010 and 2009, respectively. The severance obligations outstanding as of December 31, 2010 will be paid in 2011.

Legal Matters

On March 14, 2003, John Mowlem Construction plc (Mowlem) presented a claim in arbitration against our United Kingdom subsidiary, EMCOR Group (UK) plc (formerly named EMCOR Drake & Scull Group plc) (D&S), in connection with a subcontract D&S entered into with Mowlem with respect to a project for the United Kingdom Ministry of Defence at Abbey Wood in Bristol, U.K. Mowlem seeks damages arising out of alleged defects in the D&S design and construction of the electrical and mechanical engineering services for the project. Mowlem's claim is for 38.5 million British pounds sterling (approximately \$60.0 million), which includes costs allegedly incurred by Mowlem in connection with rectification of the alleged defects, overhead, legal fees, delay and disruption costs related to such defects, and interest on such amounts. The claim also includes amounts in respect of liabilities that Mowlem accepted in connection with a settlement agreement it entered into with the Ministry of Defence and which it claims are attributable to D&S. D&S believes it has good and meritorious defenses to the Mowlem claim. D&S has denied liability and has asserted a counterclaim for approximately 11.6 million British pounds sterling (approximately \$18.1 million) for certain design, labor and delay and disruption costs incurred by D&S in connection with its subcontract with Mowlem for work performed through 1996.

We are involved in other proceedings in which damages and claims have been asserted against us. We believe that we have a number of valid defenses to such proceedings and claims and intend to vigorously defend ourselves. We do not believe that any such matters will have a materially adverse effect on our financial position, results of operations or liquidity.

NOTE 17 ADDITIONAL CASH FLOW INFORMATION

The following presents information about cash paid for interest, income taxes and other non-cash financing activities for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Cash paid during the year for:			

Interest	\$ 9,240	\$ 6,174	\$ 9,993
Income taxes	\$ 77,264	\$ 97,505	\$ 120,384
Non-cash financing activities:			
Assets acquired under capital lease obligations	\$ 1,478	\$	\$ 528
Capital lease obligations terminated	\$	\$ 674	\$
Contingent purchase price accrued	\$ 1,428	\$ 2,197	\$ 3,297

NOTE 18 SEGMENT INFORMATION

We have the following reportable segments which provide services associated with the design, integration, installation, start-up, operation and maintenance of various systems: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; low-voltage systems, such as fire alarm, security and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration and clean-

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18 SEGMENT INFORMATION (Continued)

room process ventilation; fire protection; plumbing, process and high-purity piping; water and wastewater treatment and central plant heating and cooling); (c) United States facilities services; (d) Canada construction; (e) United Kingdom construction and facilities services; and (f) Other international construction and facilities services. The segment United States facilities services principally consists of those operations which provide a portfolio of services needed to support the operation and maintenance of customers facilities (industrial maintenance and services; outage services to utilities and industrial plants; commercial and government site-based operations and maintenance; military base operations support services; mobile maintenance and services; facilities management; installation and support for building systems; program development, management and maintenance for energy systems, technical consulting and diagnostic services; infrastructure and building projects for federal, state and local governmental agencies and bodies; small modification and retrofit projects; and retrofit projects to comply with clean air laws), which services are not generally related to customers construction programs, as well as industrial services operations, which primarily provide aftermarket maintenance and repair services, replacement parts and fabrication services for highly engineered shell and tube heat exchangers for the refineries and petrochemical industry. The Canada construction segment performs electrical construction and mechanical construction. The United Kingdom and Other international construction and facilities services segments perform electrical construction, mechanical construction and facilities services. Our Other international construction and facilities services segment consisted of our equity interest in a Middle East venture, which interest we sold in June 2010. The following tables present information about industry segments and geographic areas for the years ended December 31, 2010, 2009 and 2008 (in millions):

	2010	2009	2008
Revenues from unrelated entities:			
United States electrical construction and facilities services	\$ 1,158.9	\$ 1,273.7	\$ 1,700.5
United States mechanical construction and facilities services	1,708.4	1,959.9	2,387.8
United States facilities services	1,522.3	1,493.6	1,606.4
Total United States operations	4,389.6	4,727.2	5,694.7
Canada construction	269.3	320.2	424.5
United Kingdom construction and facilities services	462.4	500.5	666.0
Other international construction and facilities services			
Total worldwide operations	\$ 5,121.3	\$ 5,547.9	\$ 6,785.2
Total revenues:			
United States electrical construction and facilities services	\$ 1,167.8	\$ 1,281.9	\$ 1,707.0
United States mechanical construction and facilities services	1,715.3	1,975.2	2,405.8
United States facilities services	1,544.7	1,511.6	1,613.9
Less intersegment revenues	(38.2)	(41.5)	(32.0)

Edgar Filing: EMCOR GROUP INC - Form 10-K

Total United States operations	4,389.6	4,727.2	5,694.7
Canada construction	269.3	320.2	424.5
United Kingdom construction and facilities services	462.4	500.5	666.0
Other international construction and facilities services			
Total worldwide operations	\$ 5,121.3	\$ 5,547.9	\$ 6,785.2

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18 SEGMENT INFORMATION (Continued)

	2010	2009	2008
Operating (loss) income:			
United States electrical construction and facilities services	\$ 70.4	\$ 114.5	\$ 114.4
United States mechanical construction and facilities services	131.3	129.7	126.5
United States facilities services	60.0	73.7	104.8
Total United States operations	261.7	317.9	345.7
Canada construction	0.3	15.4	10.9
United Kingdom construction and facilities services	15.7	12.0	14.4
Other international construction and facilities services	(0.1)	(0.1)	(0.7)
Corporate administration	(55.9)	(63.3)	(65.9)
Restructuring expenses	(4.3)	(6.0)	(1.8)
Impairment loss on goodwill and identifiable intangible assets	(246.1)	(13.5)	
Total worldwide operations	(28.7)	262.4	302.6
Other corporate items:			
Interest expense	(12.2)	(7.9)	(11.8)
Interest income	2.7	4.7	9.9
Gain on sale of equity investment	7.9		
(Loss) income before income taxes	\$ (30.3)	\$ 259.3	\$ 300.7
Capital expenditures:			
United States electrical construction and facilities services	\$ 3.5	\$ 4.0	\$ 6.6
United States mechanical construction and facilities services	2.5	3.3	9.2
United States facilities services	11.9	13.0	18.4
Total United States operations	17.9	20.3	34.2
Canada construction	0.2	1.5	0.8
United Kingdom construction and facilities services	1.0	1.6	0.7
Other international construction and facilities services			
Corporate administration	0.3	0.7	1.8
Total worldwide operations	\$ 19.4	\$ 24.1	\$ 37.5
Depreciation and amortization of Property, plant and equipment:			
United States electrical construction and facilities services	\$ 4.4	\$ 4.5	\$ 4.0
United States mechanical construction and facilities services	4.5	6.5	6.3

Edgar Filing: EMCOR GROUP INC - Form 10-K

United States facilities services	14.1	13.0	10.9
Total United States operations	23.0	24.0	21.2
Canada construction	0.6	0.8	1.2
United Kingdom construction and facilities services	1.1	0.9	1.8
Other international construction and facilities services			
Corporate administration	0.8	1.1	1.0
Total worldwide operations	\$ 25.5	\$ 26.8	\$ 25.2

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18 SEGMENT INFORMATION (Continued)

	2010	2009
Costs and estimated earnings in excess of billings on uncompleted contracts:		
United States electrical construction and facilities services	\$ 25.7	\$ 31.6
United States mechanical construction and facilities services	20.5	23.1
United States facilities services	21.7	17.1
 Total United States operations	 67.9	 71.8
Canada construction	12.0	12.7
United Kingdom construction and facilities services	8.4	5.5
Other international construction and facilities services		
 Total worldwide operations	 \$ 88.3	 \$ 90.0
Billings in excess of costs and estimated earnings on uncompleted contracts:		
United States electrical construction and facilities services	\$ 161.5	\$ 163.9
United States mechanical construction and facilities services	195.7	242.4
United States facilities services	32.7	20.8
 Total United States operations	 389.9	 427.1
Canada construction	16.2	21.6
United Kingdom construction and facilities services	50.6	77.5
Other international construction and facilities services		
 Total worldwide operations	 \$ 456.7	 \$ 526.2
Long-lived assets:		
United States electrical construction and facilities services	\$ 16.5	\$ 18.1
United States mechanical construction and facilities services	213.6	217.1
United States facilities services	501.1	705.8
 Total United States operations	 731.2	 941.0
Canada construction	3.5	3.8
United Kingdom construction and facilities services	4.3	3.4
Other international construction and facilities services		
Corporate administration	1.5	2.0
 Total worldwide operations	 \$ 740.5	 \$ 950.2

Goodwill:		
United States electrical construction and facilities services	\$ 3.8	\$ 3.8
United States mechanical construction and facilities services	175.2	175.2
United States facilities services	227.8	414.6
Total United States operations	406.8	593.6
Canada construction		
United Kingdom construction and facilities services		
Other international construction and facilities services		
Corporate administration		
Total worldwide operations	\$ 406.8	\$ 593.6
Total assets:		
United States electrical construction and facilities services	\$ 295.1	\$ 294.4
United States mechanical construction and facilities services	577.3	615.5
United States facilities services	866.0	1,020.7
Total United States operations	1,738.4	1,930.6
Canada construction	103.0	114.7
United Kingdom construction and facilities services	201.6	224.8
Other international construction and facilities services		
Corporate administration	712.5	711.8
Total worldwide operations	\$ 2,755.5	\$ 2,981.9

**EMCOR Group, Inc.
and Subsidiaries**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 19 SELECTED UNAUDITED QUARTERLY INFORMATION
(In thousands, except per share data)

Quarterly and year-to-date computations of per share amounts are made independently; therefore, the sum of per share amounts for the quarters may not equal per share amounts for the year.

	March 31	June 30	Sept. 30	Dec. 31
2010 Quarterly Results				
Revenues	\$ 1,212,212	\$ 1,275,649	\$ 1,277,277	\$ 1,356,147
Gross profit	\$ 165,116	\$ 176,399	\$ 172,928	\$ 205,101
Impairment loss on goodwill and identifiable intangible assets	\$	\$ 19,929	\$ 226,152	\$
Net income (loss) attributable to EMCOR Group, Inc.	\$ 21,817	\$ 27,141	\$ (175,625)	\$ 39,976
Basic EPS	\$ 0.33	\$ 0.41	\$ (2.64)	\$ 0.60
Diluted EPS	\$ 0.32	\$ 0.40	\$ (2.64)	\$ 0.59

	March 31	June 30	Sept. 30	Dec. 31
2009 Quarterly Results				
Revenues	\$ 1,394,636	\$ 1,422,670	\$ 1,371,985	\$ 1,358,651
Gross profit	\$ 193,159	\$ 214,884	\$ 205,245	\$ 211,612
Impairment loss on goodwill and identifiable intangible assets	\$	\$	\$	\$ 13,526
Net income attributable to EMCOR Group, Inc.	\$ 36,768	\$ 44,819	\$ 39,986	\$ 39,183
Basic EPS	\$ 0.56	\$ 0.68	\$ 0.61	\$ 0.59
Diluted EPS	\$ 0.55	\$ 0.67	\$ 0.59	\$ 0.58

NOTE 20 SUBSEQUENT EVENTS

In January 2011, we acquired a company for an immaterial amount. This company primarily provides mechanical, HVAC and specialty refrigeration systems to many industries in the United States and will be included in our United States mechanical construction and facilities services reporting segment. The purchase price of this acquisition is subject to finalization based on certain contingencies provided for in the purchase agreement.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of EMCOR Group, Inc.:

We have audited the accompanying consolidated balance sheets of EMCOR Group, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, cash flows, and equity and comprehensive (loss) income for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic 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, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2011 expressed an unqualified opinion thereon.

Stamford, Connecticut
February 25, 2011

/s/ Ernst & Young LLP

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of EMCOR Group, Inc.:

We have audited EMCOR Group, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). 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, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2010 and 2009, and the related consolidated statements of operations, cash flows, and equity and comprehensive (loss) income for each of the three years in the period ended December 31, 2010 of the Company and our report dated February 25, 2011 expressed an unqualified opinion thereon.

Stamford, Connecticut
February 25, 2011

/s/ Ernst & Young LLP

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Based on an evaluation of our disclosure controls and procedures (as required by Rules 13a-15(b) of the Securities Exchange Act of 1934), our President and Chief Executive Officer, Anthony J. Guzzi, and our Executive Vice President and Chief Financial Officer, Mark A. Pompa, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934). Our internal control over financial reporting is a process designed with the participation of our principal executive officer and principal financial officer or persons performing similar functions to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, our disclosure controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2010, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has determined that EMCOR's internal control over financial reporting is effective as of December 31, 2010.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its report appearing in this Annual Report on Form 10-K, which such report expressed an unqualified opinion on the effectiveness of our internal control

over financial reporting as of December 31, 2010.

Changes in Internal Control over Financial Reporting

In addition, our management with the participation of our principal executive officer and principal financial officer or persons performing similar functions has determined that no change in our internal control over financial reporting (as that term is defined in Rules 13(a)-15(f) and 15(d)-15(f) of the Securities Exchange Act of 1934) occurred during the fourth quarter of our fiscal year ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

As previously disclosed in our Form 10-Q for the quarterly period ended September 30, 2010, a subsidiary of the Company occasionally performs maintenance work at mines covered by the Federal Mine Safety and Health Act of 1977 (MSHA). On August 9, 2010, the subsidiary received three citations claiming the occurrence of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under MSHA. All of such citations were related to an accident at a customer s mine that resulted in the death of one employee of such subsidiary during normal maintenance activities conducted by the subsidiary at the customer s mine. All of the alleged violations were timely abated. No civil penalties have yet been proposed for assessment by the U.S. Mine Safety and Health Administration.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 with respect to directors is incorporated herein by reference to the Section of our definitive Proxy Statement for the 2011 Annual Meeting of Stockholders entitled Election of Directors , which Proxy Statement is to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year to which this Form 10-K relates (the Proxy Statement). The information required by this Item 10 concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the section of the Proxy Statement entitled Section 16(a) Beneficial Ownership Reporting Compliance . The information required by this Item 10 concerning the Audit Committee of our Board of Directors and Audit Committee financial experts is incorporated by reference to the section of the Proxy Statement entitled Meetings and Committees of the Board of Directors and Corporate Governance . Information regarding our executive officers is contained in Part I of this Form 10-K following Item 4 under the heading Executive Officers of the Registrant . We have adopted a Code of Ethics that applies to our Chief Executive Officer and our Senior Financial Officers, a copy of which is filed as an Exhibit hereto.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the sections of the Proxy Statement entitled Compensation Discussion and Analysis , Executive Compensation and Related Information , Potential Post Employment Payments , Director Compensation , Compensation Committee Interlocks and Insider Participation and Compensation Committee Report .

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

The information required by this Item 12 (other than the information required by Section 201 (d) of Regulation S-K, which is set forth in Part II, Item 5 of this Form 10-K) is incorporated herein by reference to the sections of the Proxy Statement entitled Security Ownership of Certain Beneficial Owners and Security Ownership of Management .

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the sections of the Proxy Statement entitled Compensation Committee Interlocks and Insider Participation and Corporate Governance .

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Except as set forth below, the information required by this Item 14 is incorporated herein by reference to the section of the Proxy Statement entitled Ratification of Appointment of Independent Auditors .

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a)(1) The following consolidated financial statements of EMCOR Group, Inc. and Subsidiaries are included in Part II, Item 8:
Financial Statements:
Consolidated Balance Sheets December 31, 2010 and 2009
Consolidated Statements of Operations Years Ended December 31, 2010, 2009 and 2008
Consolidated Statements of Cash Flows Years Ended December 31, 2010, 2009 and 2008
Consolidated Statements of Equity and Comprehensive (Loss) Income Years Ended December 31, 2010, 2009 and 2008
Notes to Consolidated Financial Statements
Reports of Independent Registered Public Accounting Firm
- (a)(2) The following financial statement schedule is included in this Form 10-K report: Schedule II Valuation and Qualifying Accounts
All other schedules are omitted because they are not required, are inapplicable, or the information is otherwise shown in the consolidated financial statements or notes thereto.
- (a)(3) and (b) For the list of exhibits, see the Exhibit Index immediately following the signature page hereof, which Exhibit Index is incorporated herein by reference.

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.

EMCOR GROUP, INC.
(Registrant)

By:
/s/ Anthony J. Guzzi

Date: February 25, 2011

Anthony J. Guzzi
President and Chief Executive Officer

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 indicated on February 25, 2011.

/s/ Anthony J. Guzzi

President, Chief Executive Officer and Director
(Principal Executive Officer)

Anthony J. Guzzi

/s/ Mark A. Pompa

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Mark A. Pompa

/s/ Frank T. MacInnis

Chairman of the Board of Directors

Frank T. MacInnis

/s/ Stephen W. Bershad

Director

Stephen W. Bershad

/s/ David A. B. Brown

Director

David A. B. Brown

/s/ Larry J. Bump

Director

Larry J. Bump

/s/ Albert Fried, Jr.

Director

Albert Fried, Jr.

/s/ Richard F. Hamm, Jr.

Director

Richard F. Hamm, Jr.

/s/ Jerry E. Ryan

Director

Jerry E. Ryan

/s/ Michael T. Yonker

Director

Michael T. Yonker

Schedule

**EMCOR Group, Inc.
and Subsidiaries**

**SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(In thousands)**

Description	Balance at Beginning of Year	(Recovery of), Costs and Expenses	Additions Charged To Other (1)	Deductions (2)	Balance at End of Year
Allowance for doubtful accounts					
Year Ended December 31, 2010	\$ 36,188	(5,126) ⁽³⁾	18	(13,793)	\$ 17,287
Year Ended December 31, 2009	\$ 34,832	7,178	307	(6,129)	\$ 36,188
Year Ended December 31, 2008	\$ 26,995	11,671	(79)	(3,755)	\$ 34,832

(1) Amount principally relates to business acquisitions and divestitures, and the effect of exchange rate changes.

(2) Deductions primarily represent uncollectible balances of accounts receivable written off, net of recoveries.

(3) Primarily relates to recovery of amounts previously determined to be uncollectible.

**EMCOR Group, Inc.
and Subsidiaries
EXHIBIT INDEX**

Exhibit No.	Description	Incorporated By Reference to or Page Number
2(a-1)	Purchase Agreement dated as of February 11, 2002 by and among Comfort Systems USA, Inc. and EMCOR-CSI Holding Co.	Exhibit 2.1 to EMCOR Group, Inc. s (EMCOR) Report on Form 8-K dated February 14, 2002
2(a-2)	Purchase and Sale Agreement dated as of August 20, 2007 between FR X Ohmstede Holdings LLC and EMCOR Group, Inc.	Exhibit 2.1 to EMCOR s Report on Form 8-K (Date of Report August 20, 2007)
3(a-1)	Restated Certificate of Incorporation of EMCOR filed December 15, 1994	Exhibit 3(a-5) to EMCOR s Registration Statement on Form 10 as originally filed March 17, 1995 (Form 10)
3(a-2)	Amendment dated November 28, 1995 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-2) to EMCOR s Annual Report on Form 10-K for the year ended December 31, 1995 (1995 Form 10-K)
3(a-3)	Amendment dated February 12, 1998 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-3) to EMCOR s Annual Report on Form 10-K for the year ended December 31, 1997 (1997 Form 10-K)
3(a-4)	Amendment dated January 27, 2006 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-4) to EMCOR s Annual Report on Form 10-K for the year ended December 31, 2005 (2005 Form 10-K)
3(a-5)	Amendment dated September 18, 2007 to the Restated Certificate of Incorporation of EMCOR	Exhibit A to EMCOR s Proxy Statement dated August 17, 2007 for Special Meeting of Stockholders held September 18, 2007
3(b)	Amended and Restated By-Laws	Exhibit 3(b) to EMCOR s Annual Report on Form 10-K for the year ended December 31, 1998 (1998 Form 10-K)

Edgar Filing: EMCOR GROUP INC - Form 10-K

- | | | |
|-------|--|--|
| 4(a) | Second Amended and Restated Credit Agreement dated as of February 4, 2010 by and among EMCOR Group, Inc. and certain of its subsidiaries and Bank of Montreal, individually and as Agent and the Lenders which are or become parties thereto (the Credit Agreement) | Exhibit 4.1(a) to EMCOR s Report on Form 8-K (Date of Report February 4, 2010) (February 2010 Form 8-K) |
| 4(b) | Third Amended and Restated Security Agreement dated as of February 4, 2010 among EMCOR, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent | Exhibit 4.1(b) to the February 2010 Form 8-K |
| 4(c) | Third Amended and Restated Pledge Agreement dated as of February 4, 2010 among EMCOR, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent | Exhibit 4.1(c) to the February 2010 Form 8-K |
| 4(d) | Second Amended and Restated Guaranty Agreement dated as of February 4, 2010 by certain of EMCOR s U.S. subsidiaries in favor of Bank of Montreal, as Agent | Exhibit 4.1(d) to the February 2010 Form 8-K |
| 10(a) | Form of Severance Agreement (Severance Agreement) between EMCOR and each of Sheldon I. Cammaker, R. Kevin Matz and Mark A. Pompa | Exhibit 10.1 to the April 2005 Form 8-K |
| 10(b) | Form of Amendment to Severance Agreement between EMCOR and each of Sheldon I. Cammaker, R. Kevin Matz and Mark A. Pompa | Exhibit 10(c) of EMCOR s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (March 2007 Form 10-Q) |

**EMCOR Group, Inc.
and Subsidiaries
EXHIBIT INDEX**

Exhibit No.	Description	Incorporated By Reference to or Page Number
10(c)	Letter Agreement dated October 12, 2004 between Anthony Guzzi and EMCOR (the Guzzi Letter Agreement)	Exhibit 10.1 to EMCOR s Report on Form 8-K (Date of Report October 12, 2004)
10(d)	Form of Confidentiality Agreement between Anthony Guzzi and EMCOR	Exhibit C to the Guzzi Letter Agreement
10(e)	Form of Indemnification Agreement between EMCOR and each of its officers and directors	Exhibit F to the Guzzi Letter Agreement
10(f-1)	Severance Agreement (Guzzi Severance Agreement) dated October 25, 2004 between Anthony Guzzi and EMCOR	Exhibit D to the Guzzi Letter Agreement
10(f-2)	Amendment to Guzzi Severance Agreement	Exhibit 10(g-2) to the March 2007 Form 10-Q
10(g-1)	1994 Management Stock Option Plan (1994 Option Plan)	Exhibit 10(o) to Form 10
10(g-2)	Amendment to Section 12 of the 1994 Option Plan	Exhibit (g-2) to EMCOR s Annual Report on Form 10-K for the year ended December 31, 2000 (2000 Form 10-K)
10(g-3)	Amendment to Section 13 of the 1994 Option Plan	Exhibit (g-3) to 2000 Form 10-K
10(h-1)	1995 Non-Employee Directors Non-Qualified Stock Option Plan (1995 Option Plan)	Exhibit 10(p) to Form 10
10(h-2)	Amendment to Section 10 of the 1995 Option Plan	Exhibit (h-2) to 2000 Form 10-K

Edgar Filing: EMCOR GROUP INC - Form 10-K

10(i-1)	1997 Non-Employee Directors Non-Qualified Stock Option Plan (1997 Option Plan)	Exhibit 10(k) to 1998 Form 10-K
10(i-2)	Amendment to Section 9 of the 1997 Option Plan	Exhibit 10(i-2) to 2000 Form 10-K
10(j-1)	Continuity Agreement dated as of June 22, 1998 between Sheldon I. Cammaker and EMCOR (Cammaker Continuity Agreement)	Exhibit 10(c) to the June 1998 Form 10-Q
10(j-2)	Amendment dated as of May 4, 1999 to Cammaker Continuity Agreement	Exhibit 10(i) to the June 1999 Form 10-Q
10(j-3)	Amendment dated as of March 1, 2007 to Cammaker Continuity Agreement	Exhibit 10(m-3) to the March 2007 Form 10-Q
10(k-1)	Continuity Agreement dated as of June 22, 1998 between R. Kevin Matz and EMCOR (Matz Continuity Agreement)	Exhibit 10(f) to the June 1998 Form 10-Q
10(k-2)	Amendment dated as of May 4, 1999 to Matz Continuity Agreement	Exhibit 10(m) to the June 1999 Form 10-Q
10(k-3)	Amendment dated as of January 1, 2002 to Matz Continuity Agreement	Exhibit 10(o-3) to EMCOR s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (March 2002 Form 10-Q)
10(k-4)	Amendment dated as of March 1, 2007 to Matz Continuity Agreement	Exhibit 10(n-4) to the March 2007 Form 10-Q
10(l-1)	Continuity Agreement dated as of June 22, 1998 between Mark A. Pompa and EMCOR (Pompa Continuity Agreement)	Exhibit 10(g) to the June 1998 Form 10-Q
10(l-2)	Amendment dated as of May 4, 1999 to Pompa Continuity Agreement	Exhibit 10(n) to the June 1999 Form 10-Q
10(l-3)	Amendment dated as of January 1, 2002 to Pompa Continuity Agreement	Exhibit 10(p-3) to the March 2002 Form 10-Q

**EMCOR Group, Inc.
and Subsidiaries
EXHIBIT INDEX**

Exhibit No.	Description	Incorporated By Reference to or Page Number
10(l-4)	Amendment dated as of March 1, 2007 to Pompa Continuity Agreement	Exhibit 10(o-4) to the March 2007 Form 10-Q
10(m-1)	Change of Control Agreement dated as of October 25, 2004 between Anthony Guzzi (Guzzi) and EMCOR (Guzzi Continuity Agreement)	Exhibit E to the Guzzi Letter Agreement
10(m-2)	Amendment dated as of March 1, 2007 to Guzzi Continuity Agreement	Exhibit 10(p-2) to the March 2007 Form 10-Q
10(n-1)	Amendment dated as of March 29, 2010 to Severance Agreement with Sheldon I. Cammaker, Anthony J. Guzzi, R. Kevin Matz and Mark A. Pompa	Exhibit 10.1 to Form 8-K (Date of Report March 29, 2010) (March 2010 Form 8-K)
10(n-2)	Amendment to Continuity Agreements and Severance Agreements with Sheldon I. Cammaker, Anthony J. Guzzi, R. Kevin Matz and Mark A. Pompa	Exhibit 10(q) to EMCOR s Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Form 10-K)
10(o)	Letter Agreement dated May 25, 2010 between EMCOR and Frank T. MacInnis	Exhibit 10.1 to EMCOR s Report on Form 8-K (Date of Report May 25, 2010)
10(p-1)	Incentive Plan for Senior Executive Officers of EMCOR Group, Inc. (Incentive Plan for Senior Executives)	Exhibit 10.3 to Form 8-K (Date of Report March 4, 2005)
10(p-2)	First Amendment to Incentive Plan for Senior Executives	Exhibit 10(t) to 2005 Form 10-K
10(p-3)		Exhibit 10(r-3) to 2008 Form 10-K

Edgar Filing: EMCOR GROUP INC - Form 10-K

Amendment made February 27, 2008 to
Incentive Plan for Senior Executive Officers

10(p-4)	Amendment made December 22, 2008 to Incentive Plan for Senior Executive Officers	Exhibit 10(r-4) to 2008 Form 10-K
10(p-5)	Amendment made December 15, 2009 to Incentive Plan for Senior Executive Officers	Exhibit 10(r-5) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K)
10(p-6)	Suspension of Incentive Plan for Senior Executive Officers	Exhibit 10(r-5) to 2008 Form 10-K
10(q-1)	EMCOR Group, Inc. Long-Term Incentive Plan (LTIP)	Exhibit 10 to Form 8-K (Date of Report December 15, 2005)
10(q-2)	First Amendment to LTIP and updated Schedule A to LTIP	Exhibit 10(s-2) to 2008 Form 10-K
10(q-3)	Second Amendment to LTIP	Exhibit 10.2 to March 2010 Form 8-K
10(q-4)	Form of Certificate Representing Stock Units issued under LTIP	Exhibit 10(t-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2007 (2007 Form 10-K)
10(r-1)	2003 Non-Employee Directors' Stock Option Plan	Exhibit A to EMCOR's Proxy Statement for its Annual Meeting held June 12, 2003 (2003 Proxy Statement)
10(r-2)	First Amendment to 2003 Non-Employee Directors' Plan	Exhibit 10(u-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2006 (2006 Form 10-K)
10(s-1)	2003 Management Stock Incentive Plan	Exhibit B to EMCOR's 2003 Proxy Statement
10(s-2)	Amendments to 2003 Management Stock Incentive Plan	Exhibit 10(t-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2003 (2003 Form 10-K)

**EMCOR Group, Inc.
and Subsidiaries
EXHIBIT INDEX**

Exhibit No.	Description	Incorporated By Reference to or Page Number
10(s-3)	Second Amendment to 2003 Management Stock Incentive Plan	Exhibit 10(v-3) to 2006 Form 10-K
10(t)	Form of Stock Option Agreement evidencing grant of stock options under the 2003 Management Stock Incentive Plan	Exhibit 10.1 to Form 8-K (Date of Report January 3, 2005)
10(u)	Key Executive Incentive Bonus Plan	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held June 18, 2008 (2008 Proxy Statement)
10(v)	2005 Management Stock Incentive Plan	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held June 16, 2005 (2005 Proxy Statement)
10(w)	First Amendment to 2005 Management Stock Incentive Plan	Exhibit 10(z) to 2006 Form 10-K
10(x-1)	2005 Stock Plan for Directors	Exhibit C to 2005 Proxy Statement
10(x-2)	First Amendment to 2005 Stock Plan for Directors	Exhibit 10(a)(a-2) to 2006 Form 10-K
10(x-3)	Consents on December 15, 2009 to Transfer Stock Options by Non-Employee Directors	Exhibit 10(z) to 2009 Form 10-K
10(y)	Option Agreement between EMCOR and Frank T. MacInnis dated May 5, 1999	Exhibit 4.4 to 2004 Form S-8 (Date of Report February 18, 2004) (2004 Form S-8)
10(z)	Form of EMCOR Option Agreement for Messrs. Frank T. MacInnis, Sheldon I.	Exhibit 4.5 to 2004 Form S-8

Edgar Filing: EMCOR GROUP INC - Form 10-K

Cammaker, R. Kevin Matz and Mark A. Pompa
(collectively the Executive Officers) for options
granted January 4, 1999, January 3, 2000 and
January 2, 2001

10(a)(a)	Form of EMCOR Option Agreement for Executive Officers granted December 1, 2001	Exhibit 4.6 to 2004 Form S-8
10(b)(b)	Form of EMCOR Option Agreement for Executive Officers granted January 2, 2002, January 2, 2003 and January 2, 2004	Exhibit 4.7 to 2004 Form S-8
10(c)(c)	Form of EMCOR Option Agreement for Directors granted June 19, 2002, October 25, 2002 and February 27, 2003	Exhibit 4.8 to 2004 Form S-8
10(d)(d)	Option Agreement dated October 25, 2004 between Guzzi and EMCOR	Exhibit A to Guzzi Letter
10(e)(e-1)	2007 Incentive Plan	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held June 20, 2007
10(e)(e-2)	Option Agreement dated December 13, 2007 under 2007 Incentive Plan between Jerry E. Ryan and EMCOR	Exhibit 10(h)(h-2) to 2007 Form 10-K
10(e)(e-3)	Option Agreement dated December 15, 2008 under 2007 Incentive Plan between David Laidley and EMCOR	Exhibit 10.1 to Form 8-K (Date of Report December 15, 2008)
10(e)(e-4)	Form of Option Agreement under 2007 Incentive Plan between EMCOR and each non-employee director electing to receive options as part of annual retainer	Exhibit 10(h)(h-3) to 2007 Form 10-K
10(f)(f-1)	2010 Incentive Plan	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held on June 11, 2010

**EMCOR Group, Inc.
and Subsidiaries
EXHIBIT INDEX**

Exhibit No.	Description	Incorporated By Reference to or Page Number
10(f)(f-2)	Form Option Agreement under 2010 Incentive Plan between EMCOR and each non-employee director with respect to grant of options upon re-election at June 11, 2010 Annual Meeting of Stockholders	Exhibit 10(i)(i-2) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010
10(g)(g)	Form of letter agreement between EMCOR and each Executive Officer with respect to acceleration of options granted January 2, 2003 and January 2, 2004	Exhibit 10(b)(b) to 2004 Form 10-K
10(h)(h)	EMCOR Group, Inc. Employee Stock Purchase Plan	Exhibit C to EMCOR's Proxy Statement for its Annual Meeting held June 18, 2008
10(i)(i-1)	Certificate dated March 24, 2008 evidencing Phantom Stock Unit Award to Frank T. MacInnis	Exhibit 10(j)(j-1) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (March 2008 Form 10-Q)
10(i)(i-2)	Certificate dated March 24, 2008 evidencing Phantom Stock Unit Award to Anthony J. Guzzi	Exhibit 10(j)(j-2) to the March 2008 Form 10-Q
10(j)(j)	Certificate dated March 24, 2008 evidencing Stock Unit Award to Frank T. MacInnis	Exhibit 10(k)(k) to the March 2008 Form 10-Q
10(k)(k)	Form of Restricted Stock Award Agreement dated January 4, 2010 between EMCOR and each of Albert Fried, Jr., Richard F. Hamm, Jr., David H. Laidley, Jerry E. Ryan and Michael T. Yonker	Exhibit 10(l)(l) to 2009 Form 10-K
10(l)(l)	Form of Restricted Stock Award Agreement dated January 3, 2011 between EMCOR and each of Richard F. Hamm, Jr., David H. Laidley,	Page __

Edgar Filing: EMCOR GROUP INC - Form 10-K

Jerry E. Ryan and Michael T. Yonker

11	Computation of Basic EPS and Diluted EPS for the years ended December 2010 and 2009*	Note 4 of the Notes to the Consolidated Financial Statements
14	Code of Ethics of EMCOR for Chief Executive Officer and Senior Financial Officers	Exhibit 14 to 2003 Form 10-K
21	List of Significant Subsidiaries*	Page __
23.1	Consent of Ernst & Young LLP*	Page __
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Anthony J. Guzzi, the President and Chief Executive Officer*	Page __
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Mark A. Pompa, the Executive Vice President and Chief Financial Officer*	Page __
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the President and Chief Executive Officer**	Page __
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Executive Vice President and Chief Financial Officer**	Page __

**EMCOR Group, Inc.
and Subsidiaries
EXHIBIT INDEX**

Exhibit No.	Description	Incorporated By Reference to or Page Number
101	The following materials from EMCOR Group, Inc. s Annual Report on Form 10-K for the year ended December 31, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Equity and Comprehensive (Loss) Income and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.***	Page __

* Filed Herewith

** Furnished Herewith

*** Submitted Electronically Herewith

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, upon request of the Securities and Exchange Commission, the Registrant hereby undertakes to furnish a copy of any unfiled instrument which defines the rights of holders of long-term debt of the Registrant s subsidiaries.