Willbros Group, Inc.\NEW\
Form 10-Q
November 08, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

o **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 1-11953

Willbros Group, Inc.

(Exact name of registrant as specified in its charter)

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

4400 Post Oak Parkway
Suite 1000
Houston, TX 77027
Telephone No.: 713-403-8000

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

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large Accelerated Filer o	Accelerated Filer þ	Non-Accelerated Filer o	Smaller reporting company o

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

The number of shares of the registrant s Common Stock, $.05 par value, outstanding as of October 28, 2011 was 48,547,302.

WILLBROS GROUP, INC.
FORM 10-Q
FOR QUARTER ENDED SEPTEMBER 30, 2011

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WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,333	$ 134,150
Accounts receivable, net	345,441	305,293
Contract cost and recognized income not yet billed	36,266	23,757
Prepaid expenses and other assets	37,944	54,753
Parts and supplies inventories	9,366	10,108
Deferred income taxes	9,146	11,004
Assets held for sale	48,995	61,320
Total current assets	555,491	600,385
Property, plant and equipment, net	180,653	219,878
Goodwill	67,632	211,753
Other intangible assets, net	183,848	195,457
Deferred income taxes	3,457	16,570
Other assets	44,929	41,759
Total Assets	$ 1,036,010	$ 1,285,802
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 253,884	$ 188,386
Contract billings in excess of cost and recognized income	21,147	14,927
Short-term borrowings under revolving credit facility	59,357	
Current portion of capital lease obligations	3,033	5,366
Notes payable and current portion of long-term debt	521	71,594
Current portion of government obligations		6,575
Accrued income taxes	3,498	2,356
Liabilities held for sale	32,526	27,548
Other current liabilities	1,893	4,832
Total current liabilities	375,859	321,584
Long-term debt	230,569	305,227
Capital lease obligations	3,617	5,741
Contingent earnout		10,000
Long-term liabilities for unrecognized tax benefits	4,645	4,866
Deferred income taxes	15,226	76,020
Other long-term liabilities	43,346	38,824

Total liabilities	673,262	762,262
Contingencies and commitments (Note 14)		
Stockholders equity:		
Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued		
Common stock, par value $.05 per share, 70,000,000 shares authorized and 49,356,665 shares issued at September 30, 2011 (48,546,817 at December 31, 2010)	2,467	2,427
Capital in excess of par value	678,304	674,173
Accumulated deficit	(321,596)	(161,824)
Treasury stock at cost, 789,693 shares at September 30, 2011 (629,320 at December 31, 2010)	(10,799)	(10,045)
Accumulated other comprehensive income	13,471	17,938
Total Willbros Group, Inc. stockholders equity	361,847	522,669
Noncontrolling interest	901	871
Total stockholders equity	362,748	523,540
Total liabilities and stockholders equity	$ 1,036,010	$ 1,285,802

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Contract revenue	$ 466,103	$ 403,959	$ 1,253,325	$ 789,255
Operating expenses:				
Contract	415,695	343,898	1,139,311	678,894
Amortization of intangibles	3,918	3,921	11,752	5,826
General and administrative	32,668	34,009	102,162	78,455
Settlement of project dispute			8,236	
Changes in fair value of contingent earnout	(4,000)	(45,340)	(10,000)	(45,340)
Goodwill impairment	134,263	12,000	134,263	12,000
Acquisition costs		7,947		9,912
	582,544	356,435	1,385,724	739,747
Operating income (loss)	(116,441)	47,524	(132,399)	49,508
Other income (expense):				
Interest expense, net	(11,029)	(11,875)	(36,275)	(16,084)
Loss on early extinguishment of debt			(4,124)	
Other, net	(261)	624	(284)	1,465
	(11,290)	(11,251)	(40,683)	(14,619)
Income (loss) from continuing operations before income taxes	(127,731)	36,273	(173,082)	34,889
Provision (benefit) for income taxes	(28,321)	(2,138)	(41,759)	(3,813)
Income (loss) from continuing operations	(99,410)	38,411	(131,323)	38,702
Loss from discontinued operations net of provision (benefit) for income taxes	(11,563)	(2,710)	(27,571)	(7,067)
Net income (loss)	(110,973)	35,701	(158,894)	31,635
Less: Income attributable to noncontrolling interest	(296)	(293)	(878)	(902)
Net income (loss) attributable to Willbros Group, Inc.	$ (111,269)	$ 35,408	$ (159,772)	$ 30,733

Reconciliation of net income attributable to Willbros Group, Inc.

Income (loss) from continuing operations	$	(99,706)	$	38,118	$	(132,201)	$	37,800
Loss from discontinued operations		(11,563)		(2,710)		(27,571)		(7,067)
Net income (loss) attributable to Willbros Group, Inc.	$	(111,269)	$	35,408	$	(159,772)	$	30,733
Basic income (loss) per share attributable to Company shareholders:								
Income (loss) from continuing operations	$	(2.10)	$	0.81	$	(2.79)	$	0.91
Loss from discontinued operations		(0.24)		(0.06)		(0.58)		(0.17)
Net income (loss)	$	(2.34)	$	0.75	$	(3.37)	$	0.74
Diluted income (loss) per share attributable to Company Shareholders:								
Income (loss) from continuing operations	$	(2.10)	$	0.75	$	(2.79)	$	0.89
Loss from discontinued operations		(0.24)		(0.05)		(0.58)		(0.16)
Net income (loss)	$	(2.34)	$	0.70	$	(3.37)	$	0.73
Weighted average number of common shares outstanding:								
Basic		47,533,967		46,997,431		47,429,059		41,651,994
Diluted		47,533,967		52,154,029		47,429,059		44,890,005

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from operating activities:		
Net income (loss)	$ (158,894)	$ 31,635
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations	27,571	7,067
Depreciation and amortization	50,629	33,150
Goodwill impairment	134,263	12,000
Loss on early extinguishment of debt	4,124	
Changes in fair value of contingent earnout liability	(10,000)	(45,340)
Stock-based compensation	7,103	6,489
Deferred income tax benefit	(49,384)	(7,437)
Settlement of project dispute	8,236	
Provision for bad debts	998	630
Other non-cash	7,053	5,801
Changes in operating assets and liabilities:		
Accounts receivable, net	(51,229)	(93,768)
Payments on government fines	(6,575)	(6,575)
Contract cost and recognized income not yet billed	(12,535)	7,054
Prepaid expenses and other assets	18,302	15,682
Accounts payable and accrued liabilities	62,694	13,373
Accrued income taxes	1,099	8,911
Contract billings in excess of cost and recognized income	6,218	5,339
Other liabilities	(3,915)	(228)
Cash provided by (used in) operating activities of continuing operations	35,758	(6,217)
Cash provided by (used in) operating activities of discontinued operations	(27,493)	16,749
Cash provided by operating activities	8,265	10,532
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired and earnout	9,402	(421,182)
Proceeds from sales of property, plant and equipment	33,045	390
Purchase of property, plant and equipment	(9,302)	(13,070)
Maturities of short-term investments		16,755
Purchase of short-term investments		(255)
Cash provided by (used in) investing activities of continuing operations	33,145	(417,362)
Cash provided by investing activities of discontinued operations	7,739	1,277
Cash provided by (used in) investing activities	40,884	(416,085)
Cash flows from financing activities:		
Proceeds from term loan issuance		282,000

Proceeds from stock issuance		58,078
Proceeds from revolving credit facility	59,357	
Payments on capital leases	(8,204)	(5,579)
Repayment of notes payable	(65,725)	(8,326)
Payments on term loan	(94,679)	
Payments to reacquire common stock	(754)	(894)
Costs of debt issues	(4,935)	(16,384)
Stock-based compensation tax deficiency		(956)
Dividend distribution to noncontrolling interest	(848)	(942)
Cash provided by (used in) financing activities of continuing operations	(115,788)	306,997
Cash used in financing activities of discontinued operations	(5)	(111)
Cash provided by (used) in financing activities	(115,793)	306,886
Effect of exchange rate changes on cash and cash equivalents	(253)	780
Net decrease in cash and cash equivalents	(66,897)	(97,887)
Cash and cash equivalents of continuing operations at beginning of period	134,150	196,903
Cash and cash equivalents of discontinued operations at beginning of period	6,951	1,781
Cash and cash equivalents at beginning of period	141,101	198,684
Cash and cash equivalents at end of period	74,204	100,797
Less: cash and cash equivalents of discontinued operations at end of period	(5,871)	(21,840)
Cash and cash equivalents of continuing operations at end of period	$ 68,333	$ 78,957
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	$ 23,955	$ 9,007
Cash paid for income taxes (including discontinued operations)	$ 4,249	$ 3,180
Supplemental non-cash investing and financing transactions:		
Initial contingent earnout liability	$	$ 55,340
Prepaid insurance obtained by note payable	$ 6,829	$ 11,687
Equipment received through like-kind exchange	$	$ 3,355
Equipment surrendered through like-kind exchange	$	$ 2,550

See accompanying notes to condensed consolidated financial statements.

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)
(Unaudited)

1. The Company and Basis of Presentation

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

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2010, which has been derived from audited consolidated financial statements, and the unaudited Condensed Consolidated Financial Statements as of September 30, 2010 and 2011, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company s December 31, 2010 audited Consolidated Financial Statements and notes thereto contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of September 30, 2011, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the nine months ended September 30, 2011 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

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

As discussed in Note 17 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement, the Company has disposed of certain assets and operations and intends to dispose of others that are together classified as discontinued operations (collectively the Discontinued Operations). Accordingly, these Condensed Consolidated Financial Statements reflect these operations as Discontinued Operations in all periods presented. The disclosures in the Notes to the Condensed Consolidated Financial Statements relate to continuing operations except as otherwise indicated.

The carrying value of financial instruments does not materially differ from fair value.

Reclassifications Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications relate primarily to the classification of the Company s Libya operations and the Company s Canadian cross-country pipeline construction operations as discontinued operations as determined during the fourth quarter of 2010, and the second quarter of 2011, respectively.

Historically, the Company classified cash flows associated with government obligations, specifically the United States Department of Justice (DOJ) and the SEC, as cash flows from financing activities based on the presence of financing elements in the final settlement agreements with these entities. However, as these obligations also possess elements of operating activities, the Company has determined that it will classify the related cash flows as cash flows from operating activities. Accordingly, prior period amounts were reclassified in the Consolidated Statements of Cash Flows to conform to the current year presentation. See Note 7 Government Obligations for additional information pertaining to these obligations.

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)
(Unaudited)

1. The Company and Basis of Presentation (continued)

Out-of-Period Adjustments The Company recorded out-of-period adjustments during the three months and nine months ended September 30, 2011 to correct errors primarily related to income taxes and revenue. The tax adjustments related to an error in the calculation of the income tax provision and over-accrual of interest associated with estimated tax contingencies. Revenue was overstated as a result of the use of incorrect data for two contracts in the Company s *Downstream Oil & Gas* segment. The net impact of these adjustments had no impact to pre-tax loss and was a decrease to net loss in the amount of $600 for the three months ended September 30, 2011. The net impact of these adjustments was an increase to pre-tax loss in the amount of $1,208 and a decrease to net loss in the amount of $85, for the nine months ended September 30, 2011. The Company does not believe these adjustments are material to its unaudited Condensed Consolidated Financial Statements for the three months or nine months ended September 30, 2011 after considering its expected 2011 annual financial results, nor does it believe such items are material to any of its prior annual or quarterly financial statements.

2. New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued amendments to disclosure requirements for common fair value measurements. These amendments, effective for the interim and annual periods beginning on or after December 15, 2011 (early adoption is prohibited), result in a common definition of fair value and common requirements for measurement and disclosure between U.S. GAAP and International Financial Reporting Standards (IFRS). Consequently, the amendments change some fair value measurement principles and disclosure requirements. The implementation of this amended accounting guidance is not expected to have a material impact on the Company s consolidated financial position or results of operations.

In September 2011, the FASB issued a revised standard on goodwill impairment, which is intended to reduce the cost and complexity of the annual goodwill impairment test by providing both public and nonpublic entities with the option of performing a qualitative assessment to determine whether further impairment testing is necessary. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt the revised standard even if its annual test date is before September 15, 2011 (the date on which the revised standard was issued), provided that the entity has not yet issued its financial statements for the period that includes its annual test date. The implementation of this revised standard is not expected to have a material impact on the Company s consolidated financial position or results of operations.

In September 2011, the FASB issued an update that requires employers that participate in multiemployer pension plans to provide additional quantitative and qualitative disclosures. The amended disclosures provide users with more detailed information about an employer s involvement in multiemployer pension plans and are effective for annual periods ending after December 15, 2011. The Company is currently evaluating the disclosure requirements of this update.

3. Acquisition

On July 1, 2010, the Company completed the acquisition of 100 percent of the outstanding stock of InfrastruX Group, Inc. (InfrastruX) for a purchase price of $476,398, inclusive of certain working capital adjustments. The Company paid $362,980 in cash, a portion of which was used to retire InfrastruX indebtedness and pay InfrastruX transaction expenses, and issued 7,923,308 shares of the Company s common stock to the shareholders of InfrastruX. Cash paid was comprised of $62,980 in cash on hand and $300,000 from a new term loan facility. The acquisition was completed pursuant to an Agreement and Plan of Merger (the Merger Agreement), dated March 11, 2010.

InfrastruX was a privately held firm based in Seattle, Washington and provided design, construction, maintenance, engineering and other infrastructure services to the utility industry across the U.S. market.

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)
(Unaudited)

3. Acquisition (continued)

Consideration

Total consideration transferred in acquiring InfrastruX is summarized as follows:

Proceeds from newly issued term loan facility	$ 300,000
Cash on hand	62,980
Total cash consideration	362,980
Issuance of WGI common stock	58,078(1)
Contingent consideration	55,340(2)
Total Consideration	$ 476,398

(1) Represents 7,923,308 shares issued, which have been valued at the closing price of Company stock on July 1, 2010, the acquisition date.

(2) Estimated as of acquisition announcement based on a probability estimate of InfrastruX s EBITDA achievements during the earnout period. See Note 15 Fair Value Measurements.

This transaction has been accounted for using the acquisition method of accounting which requires that, among other things, assets acquired and liabilities assumed be recorded at their fair values as of the acquisition date. The excess of the consideration transferred over those fair values is recorded as goodwill. The allocation of purchase price to acquired assets and liabilities is as follows:

Assets acquired:	
Cash and cash equivalents	$ 9,278
Accounts receivable	124,856
Inventories	4,501
Prepaid expenses and other current assets	39,565
Property, plant and equipment	156,160
Intangible assets	168,409
Goodwill	175,420(3)
Other long-term assets	21,924
Liabilities assumed:	
Accounts payable and other accrued liabilities	(97,985)
Capital lease obligations	(4,977)
Vendor related debt	(2,761)
Deferred income taxes and other tax liabilities	(95,902)
Other long-term liabilities	(22,090)
Net Assets Acquired	$ 476,398

(3) Includes post acquisition purchase price adjustment of $9,402, related to settlement of working capital balance in the first quarter of 2011.

The Company has consolidated InfrastruX in its financial results as the *Utility T&D* segment from the date of the acquisition.

Pro Forma Impact of the Acquisition

The following unaudited supplemental pro forma results present consolidated information as if the acquisition had been completed as of January 1, 2010. The pro forma results include: (i) the amortization associated with an estimate of the acquired intangible assets, (ii) interest expense associated with debt used to fund a portion of the acquisition and reduced interest income associated with cash used to fund a portion of the acquisition, (iii) the impact of certain fair value adjustments such as additional depreciation expense for adjustments to property, plant and equipment and reduction to interest expense for adjustments to debt, and (iv) costs directly related to acquiring InfrastruX. The pro forma results do not include any potential synergies, cost savings or other expected benefits of the acquisition. Accordingly, the pro forma results should not be considered indicative of the results that would have occurred if the acquisition and related borrowings had been consummated as of January 1, 2010, nor are they indicative of future results.

	Nine Months Ended September 30, 2010
Revenues	$ 1,102,333
Net income attributable to Company shareholders	$ 12,008
Basic net income per share	$ 0.29
Diluted net income per share	$ 0.29

4. Contracts in Progress

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

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)
(Unaudited)

4. Contracts in Progress (continued)

Contract cost and recognized income not yet billed and related amounts billed as of September 30, 2011 and December 31, 2010 was as follows:

	September 30, 2011	December 31, 2010
Cost incurred on contracts in progress	$ 689,537	$ 701,974
Recognized income	68,475	139,921
	758,012	841,895
Progress billings and advance payments	(742,893)	(833,065)
	$ 15,119	$ 8,830
Contract cost and recognized income not yet billed	$ 36,266	$ 23,757
Contract billings in excess of cost and recognized income	(21,147)	(14,927)
	$ 15,119	$ 8,830

Contract cost and recognized income not yet billed includes $2,493 and $3,216 at September 30, 2011 and December 31, 2010, respectively, on completed contracts.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company s experience with similar contracts in recent years, the majority of the retention balances at each balance sheet date will be collected within the next twelve months. Retainage balances at September 30, 2011 and December 31, 2010, were approximately $26,149 and $14,674, respectively, and are included in accounts receivable.

5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended September 30, 2011, by business segment, are detailed below:

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)
(Unaudited)

5. Goodwill and Other Intangible Assets (continued)

Upstream Oil & Gas	Goodwill	Impairment Reserves	Total, Net
Balance as of December 31, 2010	$ 13,177		$ 13,177
Reorganization of reporting structure	8,353		8,353
Impairment losses			
Translation adjustments and other	(456)		(456)
Balance as of September 30, 2011	$ 21,074		$ 21,074

Downstream Oil & Gas	Goodwill	Impairment Reserves	Total, Net
Balance as of December 31, 2010	$ 136,049	(122,295)	$ 13,754
Impairment losses			
Translation adjustments and other			
Balance as of September 30, 2011	$ 136,049	(122,295)	$ 13,754

Utility T&D	Goodwill	Impairment Reserves	Total, Net
Balance as of December 31, 2010	$ 184,822		$ 184,822
Purchase price adjustments	(9,402)		(9,402)
Reorganization of reporting structure	(8,353)		(8,353)
Impairment losses		(134,263)	(134,263)
Translation adjustments and other			
Balance as of September 30, 2011	$ 167,067	(134,263)	$ 32,804

Under U.S. GAAP, a company has up to one year subsequent to closing an acquisition to perform its annual testing for goodwill impairment, unless events occur or circumstances change at an earlier date that would more likely than not reduce the fair value of a reporting unit below its carrying value. On March 11, 2010, the Company entered into the Merger Agreement to acquire InfrastruX. The Company closed on the acquisition, which created its *Utility T&D* segment, on July 1, 2010. As such, the Company performed its annual testing for goodwill impairment for the *Utility T&D* segment in the third quarter of 2011. The impairment test consists of company estimates of the current fair value of the segment, compared to the segment s carrying amount.

During the third quarter of 2011, the Company recorded an estimated impairment charge of $134,263 related to its *Utility T&D* segment which reduced its consolidated goodwill to $67,632 at September 30, 2011. Given that the Company s step two analysis for the segment has not been finalized, the $134,263 impairment charge represents the Company s best estimate at September 30, 2011. The Company s original March 2010 growth projections in the electric transmission and distribution business have not materialized. The continued slow economic recovery, exacerbated by the recent recurrence of instability in the world financial markets, and the hard-hit U.S. housing sector, have resulted in a reassessment of future growth rates and led to a reduction in the outlook for expected future cash flows in this segment.

The initial purchase price allocation to acquired assets and liabilities for the InfrastruX acquisition included a $55,340 liability for the estimated fair value of the 2010, 2011 and combined two-year earnout provisions in the Merger Agreement. At the time of the purchase price allocation, recognition of this $55,340 liability resulted in goodwill increasing by a corresponding amount. No payments have occurred or are expected to occur; and accordingly, the liability was reduced to zero as of September 30, 2011. Reductions to the liability resulted in corresponding increases in operating income and net income of $4,000 and $10,000 during the three and nine months ended September 30, 2011, respectively, and $45,340 during the three and nine months ended September 30, 2010.

The Company s weighted average cost of capital used for the original purchase price valuation has increased 1.6 percentage points from 14.4 percent at the time of the InfrastruX acquisition to 16.0 percent on July 1, 2011. The primary driver of the percentage increase was related to higher levels of risk associated with increased leverage. The Company s fair value analysis is heavily (65 percent) weighted on discounted cash flows.

The Company s fair value analysis is supported by a weighting of the following three generally accepted valuation approaches:

Income Approach discounted cash flows of future benefit streams;

Market Approach public comparable company multiples of sales and earnings before interest, taxes, depreciation and amortization (EBITDA); and

Market Approach multiples generated from recent transactions comparable in size, nature and industry.

These approaches include numerous assumptions with respect to future circumstances, such as industry and/or local market conditions that might directly impact operations in the future, and are, therefore, uncertain. These approaches are utilized to develop a range of fair values and a weighted average of these approaches are utilized to determine the best fair value estimate within that range.

Income Approach Discounted Cash Flows. This valuation approach derives a present value of the reporting unit s projected future annual cash flows over the next 8 years and the present residual value of the segment. The Company uses a variety of underlying assumptions to estimate these future cash flows, including assumptions relating to future economic market conditions, sales volumes, costs and expenses and capital expenditures. These assumptions are dependent on regional market conditions, including competitive position, degree of vertical integration, supply and demand for materials and other industry conditions. The discount rate used in the Income Approach, specifically, the weighted average cost of capital, used in the Company s analysis during the third quarter was 16 percent. The revenue compounded annual growth rates used in the Income Approach varied from 3 percent to 20 percent. The Company s EBITDA margins derived from these underlying assumptions varied between approximately 9 percent and 13 percent. The terminal growth rate used was 3 percent.

Market Approach Multiples of Sales and EBITDA. This valuation approach utilizes publicly traded construction companies enterprise values, as compared to their recent sales and EBITDA information. The Company used an average EBITDA multiple of 5.5 times in determining this market approach metric. This multiple is used as a valuation metric to its most recent financial performance. The Company used EBITDA as an indicator of demand because it is a widely used key indicator of the cash generating capacity of similar companies.

Market Approach Comparisons of Recent Transactions. This valuation approach uses publicly available information regarding recent third-party sales transactions in our industry to derive a valuation metric of the target s respective enterprise values over their EBITDA amounts. The Company utilizes this valuation metric with its most recent financial performance to derive a what if sales transaction comparable fair value estimate.

The Company selected these valuation approaches because it believes the combination of these approaches, along with its best judgment regarding underlying assumptions and estimates, provides the Company with the best estimate of fair value. The Company believes these valuation approaches are proven and appropriate for its industry and widely accepted by investors. The estimated fair value would change if the Company s weighting assumptions under the three valuation approaches were materially modified. The Company weighted the Income Approach at 65 percent, the Market Approach Multiples of Sales and EBITDA at 25 percent and the Market Approach Comparison of Recent Transactions at 10 percent. This weighting was utilized to reflect fair value in current market conditions.

The Company s valuation model utilizes assumptions, which represent its best estimate of future events, but would be sensitive to positive or negative changes in each of the underlying assumptions as well as an alternative weighting of valuation methods, which would result in a potentially higher or lower goodwill impairment charge. The Company can provide no assurance that future goodwill impairments will not occur.

During the third quarter of 2010, in connection with the completion of the preliminary forecast for 2011, it became evident that a goodwill impairment at *Downstream Oil & Gas* was probable. As a result, a preliminary step one analysis for that segment was performed. Using a discounted cash flow analysis supported by comparative market multiples to determine the fair value of the segment versus its carrying value, a range of likely impairment was generated. The low end of this range was approximately $12,000. Accordingly, the Company recorded an impairment charge of $12,000 during the third quarter of 2010.

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The changes in the carrying amounts of intangible assets for the nine months ended September 30, 2011 are detailed below:

	Customer Relationships	Trademark / Tradename	Non-compete Agreements	Technology	Total
Balance as of December 31, 2010	$ 176,213	$ 13,249	$ 770	$ 5,225	$ 195,457
Additions		143			143
Amortization	(10,121)	(1,054)	(165)	(412)	(11,752)
Balance as of September 30, 2011	$ 166,092	$ 12,338	$ 605	$ 4,813	$ 183,848
Weighted Average Remaining Amortization Period	12.6 yrs	8.6 yrs	2.8 yrs	8.8 yrs	

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

Amortization expense included in net income for the nine months ended September 30, 2011 was $11,752. Estimated amortization expense for the remainder of 2011 and each of the subsequent five years and thereafter is as follows:

Fiscal year:	
2011	$ 3,910
2012	15,638
2013	15,638
2014	15,528
2015	15,418
2016	15,418
Thereafter	102,298
Total amortization	$ 183,848

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6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011	December 31, 2010
Trade accounts payable	$ 149,197	$ 90,617
Payroll and payroll liabilities	42,796	40,945
Provision for loss contract costs	466	1,603
Accrued insurance	29,225	27,524
Other accrued liabilities	32,200	27,697
Total accounts payable and accrued liabilities	$ 253,884	$ 188,386

7. Government Obligations

Government obligations represent amounts due to government entities, specifically the DOJ and the SEC, in final settlement of the investigations involving violations of the Foreign Corrupt Practices Act (the FCPA) and violations of the Securities Act of 1933 (the Securities Act) and the Securities Exchange Act of 1934 (the Exchange Act). These investigations stemmed primarily from the Company s former operations in Bolivia, Ecuador and Nigeria. In May 2008, the Company reached final settlement agreements with the DOJ and the SEC to settle their investigations. As previously disclosed, the agreements provided for an aggregate payment of $32,300, including $22,000 in fines to the DOJ related to the FCPA violations, consisting of $10,000 paid on signing and $4,000 annually for three years thereafter, with no interest due on unpaid amounts, and $10,300 to the SEC, consisting of $8,900 of profit disgorgement and $1,400 of pre-judgment interest, payable in four equal annual installments of $2,575 with the first installment paid on signing and annually for three years thereafter. Post-judgment interest was payable on the outstanding $7,725.

In May 2008, the Company paid $12,575 of the aggregate obligation, which consisted of the initial $10,000 payment to the DOJ, and the first installment of $2,575 to the SEC, inclusive of all pre-judgment interest. In 2009 and 2010, the Company paid $6,575 of the aggregated obligation each year, which consisted of the $4,000 annual installment to the DOJ and the $2,575 annual installment to the SEC, inclusive of all pre-judgment interest.

In May 2011, the Company paid the remaining related aggregated obligation of $6,575, consisting of $4,000 and $2,575 to the DOJ and SEC, respectively, and in October 2011 paid $118, which completed payment of the post-judgment interest owed under the settlement agreements. All sums due under the settlement agreements have now been paid in full.

8. Long-term Debt

Long-term debt as of September 30, 2011 and December 31, 2010 was as follows:

	September 30, 2011	December 31, 2010
Term loan, net of unamortized discount of $9,012 and $16,126	$ 195,559	$ 283,124
Borrowings under credit facility	59,357	
2.75% convertible senior notes, net		58,675
6.5% senior convertible notes, net	32,050	32,050
Capital lease obligations	6,650	11,107

Other obligations		3,481		2,972
Total debt		297,097		387,928
Less: current portion		(62,911)		(76,960)
Long-term debt, net	$	234,186	$	310,968

2010 Credit Facility

The Company entered into a new credit agreement dated June 30, 2010 (the 2010 Credit Agreement), among Willbros United States Holdings, Inc. (WUSH), a subsidiary of the Company (formerly known as Willbros USA, Inc.) as borrower, the Company and certain of its subsidiaries, as Guarantors, the lenders from time to time party thereto (the Lenders), Crédit Agricole Corporate and Investment Bank (Crédit Agricole), as Administrative Agent, Collateral Agent, Issuing Bank, Revolving Credit Facility Sole Lead Arranger, Sole Bookrunner and Participating Lender, UBS Securities LLC (UBS), as Syndication Agent, Natixis, The Bank of Nova Scotia and

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8. Long-term Debt (continued)

Capital One, N.A., as Co-Documentation Agents, and Crédit Agricole and UBS as Term Loan Facility Joint Lead Arrangers and Joint Bookrunners. The 2010 Credit Agreement consists of a four year, $300,000 term loan facility (Term Loan) maturing in July 2014 and a three year revolving credit facility of $175,000 maturing in July 2013 (the Revolving Credit Facility or the 2010 Credit Facility) and replaced the Company s existing three-year $150,000 senior secured credit facility, which was scheduled to expire in November 2010. The proceeds from the Term Loan were used to pay part of the cash portion of the merger consideration payable in connection with the Company s acquisition of InfrastruX.

The initial aggregate amount of commitments for the Revolving Credit Facility totaled $175,000, including an accordion feature enabling the Company to increase the size of the facility by an incremental $75,000 if it is in compliance with certain terms of the Revolving Credit Facility. The Revolving Credit Facility is available for letters of credit and for revolving loans, which may be used for working capital and general corporate purposes. The Company is able to utilize 100 percent of the Revolving Credit Facility to obtain letters of credit and will have a sublimit of $150,000 for revolving loans.

On March 4, 2011, the 2010 Credit Agreement was amended to allow the Company to make certain dispositions of equipment, real estate and business units. In most cases, proceeds from these dispositions would be required to pay down the existing Term Loan made pursuant to the 2010 Credit Agreement. Financial covenants and associated definitions, such as Consolidated EBITDA, were also amended to permit the Company to carry out its business plan and to clarify the treatment of certain items. Further, the Company has agreed to limit its revolver borrowings to $25,000, with the exception of proceeds from revolving borrowings used to make any payments in respect of both the 2.75% Convertible Senior Notes (the 2.75% Notes) and the 6.5% Senior Convertible Notes (the 6.5% Notes), until its maximum total leverage ratio is 3.00 to 1.00 or less. This amendment does not change the limit on obtaining letters of credit. The amendment also modifies the definition of Excess Cash Flow to include proceeds from the TransCanada Pipeline Arbitration, which required the Company to use a portion of such proceeds to further pay down the existing Term Loan. For prepayments made with Net Debt Proceeds or Equity Issuance Proceeds (as those terms are defined in the 2010 Credit Agreement), the amendment requires a prepayment premium of 4% of the principal amount of the Term Loans to be paid before December 31, 2011 and 1% of the principal amount of the Term Loans to be paid on or after December 31, 2011 but before December 31, 2012. Premiums for prepayments made with proceeds other than Net Debt Proceeds or Equity Issuance Proceeds remain the same as set forth under the 2010 Credit Agreement.

Subsequent to this amendment, on March 15, 2011, the Company borrowed $59,357 under the Revolving Credit Facility to fund the purchase of its 2.75% Notes. These borrowings are included in Short-term borrowings under revolving credit facility at September 30, 2011.

During the nine months ended September 30, 2011, the Company made accelerated payments of $94,679 against its Term Loan. Certain of these payments resulted in the recognition of a $4,124 loss on early extinguishment of debt for the nine months ended September 30, 2011. These losses represent the write-off of unamortized Original Issue Discount and financing costs inclusive of early payment fees.

Interest payable under the 2010 Credit Agreement is determined by the loan type. Base rate loans require annual interest payments equal to the adjusted base rate plus the applicable margin for base rate loans. The adjusted base rate is equal to the highest of (a) the Prime Rate in effect for such day, (b) the sum of the Federal Funds Effective Rate in effect for such day plus 1/2 of 1.0% per annum, (c) the sum of the Prime, London Inter-Bank Offered Rate (LIBOR) or Eurocurrency Rate in effect for such day with a maturity of one month plus 1.0% per annum and (d) with respect to Term Loans only is 3.0% per annum. The applicable margin for base rate loans is 6.50% per annum for Term Loans and a fixed margin based on the Company s leverage ratio for revolving advances. Eurocurrency rate loans require annual interest payments equal to the Eurocurrency Rate plus the applicable margin for Eurocurrency rate loans. The Eurocurrency Rate is equal to the LIBOR rate in effect for such day, subject to a 2.0% floor for Term Loans only. The applicable margin for Eurocurrency rate loans is 7.50% per annum for Term Loans and a fixed margin based on the Company s leverage ratio for revolving advances. As of September 30, 2011, the interest rate on the Term Loan (currently a Eurocurrency rate loan) was 9.5%. Interest payments on the Eurocurrency rate loans are payable in arrears on the last day of such interest period, and, in the case of interest periods of greater than three months, on each business day which occurs at three month intervals from the first day of such interest period. Interest payments on base rate loans are

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8. Long-term Debt (continued)

payable quarterly in arrears on the last business day of each calendar quarter. Additionally, the Company is required under the terms of the 2010 Credit Agreement to maintain in effect one or more hedging arrangements to fix or otherwise limit the interest cost with respect to at least 50 percent of the aggregate outstanding principal amount of the Term Loan.

The Term Loan was issued at a discount such that the funded portion was equal to 94 percent of the principal amount of the Term Loan. Accordingly, the Company recognized an $18,000 discount on the Term Loan that is being amortized over the four-year term of the Term Loan.

The 2010 Credit Facility is secured by substantially all of the assets of WUSH, the Company and the other Guarantors. The 2010 Credit Agreement prohibits the Company from paying cash dividends on its common stock.

The 2010 Credit Agreement includes customary affirmative and negative covenants, including:

- Maintenance of a minimum interest coverage ratio, as defined in the 2010 Credit Agreement, of at least 2.00 to 1.00.
- Maintenance of a maximum total leverage ratio, as defined under the 2010 Credit Agreement, not to exceed 5.00 to 1.00.
- Maintenance of a minimum tangible net worth requirement of $240,000, as defined under the 2010 Credit Agreement, plus 50% of consolidated net income plus 75% of equity issuance proceeds plus 75% of the increase in stockholder s equity after the conversion of the 2.75% Notes and the 6.5% Notes.
- Limitations on capital expenditures (greater of $70,000 or 25% of EBITDA).
- Limitations on indebtedness.
- Limitations on liens.
- Limitations on certain asset sales and dispositions.
- Limitations on certain acquisitions and asset purchases if certain liquidity levels are not maintained.

A default under the 2010 Credit Agreement may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2010 Credit Agreement; a failure to make payments when due under the 2010 Credit Agreement; a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of $15,000; a change of control of the Company; and certain insolvency proceedings. A default under the 2010 Credit Agreement would permit Crédit Agricole and the lenders to terminate their commitment to make cash advances or issue letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. As of September 30, 2011, the Company was in compliance with all covenants under the 2010 Credit Agreement.

In addition, any material adverse change could restrict the Company s ability to borrow under the 2010 Credit Agreement and could also be deemed an event of default under the 2010 Credit Agreement. A material adverse change is defined as a change in the Company s business, results of operations, properties or condition that could reasonably be expected to have a material adverse effect, as defined in the 2010 Credit Agreement.

Incurred unamortized debt issue costs associated with the 2010 Credit Agreement are $11,491 as of September 30, 2011. These debt issue costs are included in Other assets at September 30, 2011. These costs will be amortized to interest expense over the three and four-year terms of the Revolving Credit Facility and Term Loan, respectively.

6.5% Senior Convertible Notes

In December 2005, the Company completed a private placement of $65,000 aggregate principal amount of its 6.5% Notes, pursuant to a purchase agreement (the Purchase Agreement). During the first quarter of 2006, the initial purchasers of the 6.5% Notes exercised their options to purchase an additional $19,500 aggregate principal amount of the 6.5% Notes. The primary offering and the purchase option of the 6.5% Notes totaled $84,500.

The 6.5% Notes are governed by an indenture by and among the Company, as issuer, WUSH, as guarantor, and Bank of Texas, N.A. (as successor to the original trustee), as Trustee (the Indenture), and were issued under the Purchase Agreement by and among the Company and the initial purchasers of the 6.5% Notes (the Purchasers), in a transaction exempt from the registration requirements of the Securities Act. The 6.5% Notes are convertible into shares of the Company s common stock at a conversion rate of 56.9606 shares of common stock per $1,000 principal amount of notes representing a conversion price of approximately $17.56 per share. If

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8. Long-term Debt (continued)

all notes had been converted to common stock at September 30, 2011, 1,825,587 shares would have been issuable based on the principal amount of the 6.5% Notes that remain outstanding, subject to adjustment in certain circumstances. The 6.5% Notes are general senior unsecured obligations. Interest is due semi-annually on June 15 and December 15.

The 6.5% Notes mature on December 15, 2012 unless the notes are repurchased or converted earlier. The Company does not have the right to redeem the 6.5% Notes prior to maturity. Upon maturity, the principal amount plus the accrued interest through the day prior to the maturity date is payable only in cash. The 6.5% Notes remain outstanding as of September 30, 2011 and continue to be subject to the terms and conditions of the Indenture governing the 6.5% Notes. An aggregate principal amount of $32,050 remains outstanding (net of $0 discount) and has been classified as long-term and included within Long-term debt on the Consolidated Balance Sheet at September 30, 2011. The holders of the 6.5% Notes have the right to require the Company to purchase the 6.5% Notes for cash upon the occurrence of a Fundamental Change, as defined in the Indenture. In addition to the amounts described above, the Company will be required to pay a make-whole premium to the holders of the 6.5% Notes who elect to convert their notes into the Company s common stock in connection with a Fundamental Change. The make-whole premium is payable in additional shares of common stock and is calculated based on a formula with the premium ranging from 0.0 percent to 28.0 percent depending on when the Fundamental Change occurs and the price of the Company s stock at the time the Fundamental Change occurs.

Upon conversion of the 6.5% Notes, the Company has the right to deliver, in lieu of shares of its common stock, cash or a combination of cash and shares of its common stock. Under the Indenture, the Company is required to notify holders of the 6.5% Notes of its method for settling the principal amount of the 6.5% Notes upon conversion. This notification, once provided, is irrevocable and legally binding upon the Company with regard to any conversion of the 6.5% Notes. On March 21, 2006, the Company notified holders of the 6.5% Notes of its election to satisfy its conversion obligation with respect to the principal amount of any 6.5% Notes surrendered for conversion by paying the holders of such surrendered 6.5% Notes 100 percent of the principal conversion obligation in the form of common stock of the Company. Until the 6.5% Notes are surrendered for conversion, the Company will not be required to notify holders of its method for settling the excess amount of the conversion obligation relating to the amount of the conversion value above the principal amount, if any. In the event of a default of $10,000 or more on any credit agreement, including the 2010 Credit Facility, a corresponding event of default would result under the 6.5% Notes.

On March 10, 2010, the Company entered into Consent Agreements (the Consent Agreements) with Highbridge International LLC, Whitebox Combined Partners, LP, Whitebox Convertible Arbitrage Partners, LP, IAM Mini-Fund 14 Limited, HFR Combined Master Trust and Wolverine Convertible Arbitrage Trading Limited (the Consenting Holders), who collectively held a majority of the $32,050 in aggregate principal amount outstanding of the 6.5% Notes. Pursuant to the Consent Agreements, the Consenting Holders consented to modifications and amendments to the Indenture substantially in the form and substance set forth in a third supplemental indenture (the Third Supplemental Indenture) to the indenture for the 6.5% Notes. The Third Supplemental Indenture initially provided, among other things, for an amendment to Section 6.13 of the Indenture so that certain restrictions on the Company s ability to incur indebtedness would not be applicable to the borrowing by the Company of an amount not to exceed $300,000 under a new credit facility to be entered into in connection with the acquisition of InfrastruX.

On May 10, 2010, the Company entered into an Amendment to Consent Agreement (the Amendment) with the Consenting Holders. Pursuant to the Amendment, the Consenting Holders consented to modifications to the Third Supplemental Indenture to clarify that certain restrictions on the Company s ability to incur indebtedness would not be applicable to certain borrowings by the Company to acquire InfrastruX regardless of whether the borrowing consisted of a term loan under a new credit agreement, a new series of notes or bonds or a combination thereof.

On September 16, 2011, following receipt of the requisite consents of the holders of the 6.5% Notes, the Company entered into a fourth supplemental indenture (the Fourth Supplemental Indenture) to the Indenture for the 6.5% Notes. The Fourth Supplemental Indenture amends Section 6.13 of the Indenture to change the maximum consolidated leverage ratio from 4.00 to 1.00 to 6.00 to 1.00 during the fiscal quarters ending September 30, 2011 and December 31, 2011, 5.50 to 1.00 during the fiscal quarter ending March 31, 2012, 3.75 to 1.00 during the fiscal quarter ending June 30, 2012 and 3.50 to 1.00 during the fiscal quarters ending September 30, 2012 and December 31, 2012. In addition, the Fourth Supplemental Indenture conforms the definition of Consolidated EBITDA in the Indenture to the definition of Consolidated EBITDA in the 2010 Credit Agreement.

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8. Long-term Debt (continued)

The Company is required to separately account for the debt and equity components of the 6.5% Notes in a manner that reflects its nonconvertible debt-borrowing rate at the time of issuance. The difference between the fair value and the principal amount was recorded as a debt discount and as a component of equity. The debt discount was fully amortized in 2010 and as such, the carrying amount of the 6.5% Notes was $32,050 at both September 30, 2011 and December 31, 2010.

The amount of interest expense recognized and effective interest rate related to this debt for the three and nine months ended September 30, 2011 and 2010 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Contractual coupon interest	$ 521	$ 521	$ 1,563	$ 1,562
Amortization of discount		151		445
Interest expense	$ 521	$ 672	$ 1,563	$ 2,007
Effective interest rate	8.46%	8.46%	8.46%	8.46%

2.75% Convertible Senior Notes

In 2004, the Company completed a primary offering of $60,000 of the 2.75% Notes. In addition, the initial purchasers of the 2.75% Notes exercised their option to purchase an additional $10,000 aggregate principal amount of the 2.75% Notes. The primary offering and purchase option of the 2.75% Notes totaled $70,000. The holders of the 2.75% Notes had the right to require the Company to purchase the 2.75% Notes, including unpaid interest, on March 15, 2011, 2014, and 2019 or upon a change of control related event. On March 15, 2011, the holders exercised their right and the Company made a cash payment of $59,357 to the holders, which included $332 of unpaid interest. In order to fund the purchase, the Company borrowed $59,357 under the Revolving Credit Facility. The 2.75% Notes were general senior unsecured obligations. Interest was paid semi-annually on March 15 and September 15. The 2.75% Notes would have matured on March 15, 2024 if the notes had not been repurchased earlier. Upon maturity, the principal amount plus the accrued interest through the day prior to the maturity date was payable only in cash.

The amount of interest expense recognized and the effective interest rate for the three and nine months ended September 30, 2011 and 2010 were as follows:

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8. Long-term Debt (continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Contractual coupon interest	$	$ 408	$ 332	$ 1,224
Amortization of discount		657	682	1,935
Interest expense	$	$ 1,065	$ 1,014	$ 3,159
Effective interest rate	N/A	7.40%	7.40%	7.40%

Capital Leases

The Company has entered into multiple capital lease agreements to acquire various units of construction equipment, which have a weighted average interest rate of 6.8 percent. Assets held under capital leases at September 30, 2011 and December 31, 2010 is summarized below:

	September 30, 2011	December 31, 2010
Construction equipment	$ 3,806	$ 13,706
Transportation equipment	5,085	9,630
Furniture and equipment	2,685	1,885
Total assets held under capital lease	11,576	25,221
Less: accumulated depreciation	(3,192)	(10,733)
Net assets under capital lease	$ 8,384	$ 14,488

9. Retirement Benefits

The Company has defined contribution plans that are funded by participating employee contributions and the Company. The Company matches employee contributions, up to a maximum of five percent of salary, in the form of cash. The Company match was suspended in March 2011. Company contributions for the nine months ended September 30, 2011 and 2010 were $2,317 and $2,420, respectively.

In connection with the Company s acquisition of InfrastruX, the Company is subject to additional collective bargaining agreements with various unions. As a result, the Company participates with other companies in the unions multi-employer pension and other postretirement benefit plans. These plans cover all employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multi-employer plan in the event of the employer s withdrawal from, or upon termination of, such plan. The Company has no intention to withdraw from these plans. The plans do not maintain information on the net assets and actuarial present value of the plans unfunded vested benefits allocable to the Company, and the amounts, if any, for which the Company may be contingently liable, are not ascertainable at this time. Contributions to all union multi-employer pension and other postretirement plans by the Company for the nine months ended September 30, 2011 and 2010 were $36,622 and

$13,046, respectively.

10. Income Taxes

For the nine months ended September 30, 2011, the Company s effective tax rate from continuing operations was approximately 24.1 percent. For the same nine-month period in 2010, the Company s effective tax rate was (10.9) percent. Tax benefit recorded in the third quarter of 2011 for discrete items totals $27,603. The discrete items are comprised primarily of $25,671 deferred tax benefit associated with the estimated impairment of goodwill related to the *Utility T&D* segment, $1,955 of additional tax expense associated with the provision for the repatriation of foreign earnings and profits, and $3,250 associated with the $10,000 reduction of contingent earnout liability in connection with the acquisition of InfrastruX that has no tax benefit.

In April 2011, the Company discontinued its strategy of reinvesting non-U.S. earnings in foreign operations. As of September 30, 2011, the Company has repatriated $37,500 of cash from its principal foreign holding company and used the cash to repay the Term Loan. The provision for taxes was $1,955 expense in the first nine months of 2011 associated with the repatriation of foreign earnings and profits. Subsequently, actual and projected foreign earnings and profits were reduced as a result of increased losses in Canada and WAPCo litigation costs; such losses resulted in a third quarter tax benefit of $2,186 and a net first nine months of 2011 tax expense of $1,955. The Company may repatriate available foreign cash throughout the year to further reduce Term Loan debt and fund U.S. working capital needs and use its available U.S. net operating losses to offset dividend income recognized in the U.S. Additionally, the Company does not anticipate recording additional tax expense related to additional repatriations of previously recognized non-U.S. earnings to the U.S.

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10. Income Taxes (continued)

For the three months ended September 30, 2011, the Company s effective tax rate was 22.0 percent resulting primarily from certain discrete items representing an aggregate benefit of $30,209, comprised of deferred tax benefit of $25,671 recorded on the estimated goodwill impairment loss of $134,263 on the Utility T&D segment, and a significant reduction in the provision for taxes of $2,186 on repatriation of foreign earnings and profits. Other discrete items impacting the effective tax rate include $676 tax benefit from the true-up of taxes following completion of the year 2010 tax filings and $600 tax benefit recorded on out-of-period items. For the same three-month period in 2010, the Company s effective tax rate from continuing operations was (5.9) percent, primarily due to deal costs and release of contingent earnout liability in connection with the acquisition of InfrastruX. There was no tax expense required to be recorded in connection with the $45,340 release of contingent earnout liability, and the $3,453 deal costs received no tax benefit.

11. Stockholders Equity

The information contained in this note pertains to continuing and discontinued operations.

Comprehensive Income

The Company s foreign operations are translated into U.S. dollars and a translation adjustment is recorded in other comprehensive income (loss), net of tax, as a result. Additionally, changes in fair value on cash flow hedges are recorded in other comprehensive income (loss), net of tax, until the hedged transactions occur. The following table presents the components of comprehensive loss for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income (loss)	$ (110,973)	$ 35,701	$ (158,894)	$ 31,635
Foreign currency translation adjustment, net of tax	(5,726)	3,146	(2,617)	2,407
Change in fair value on cash flow hedges, net of tax	(731)	(711)	(1,850)	(711)
Comprehensive income/(loss)	(117,430)	38,136	(163,361)	33,331
Less: income attributable to noncontrolling interest	(296)	(293)	(878)	(902)
Comprehensive income (loss) attributable to Willbros Group, Inc.	$ (117,726)	$ 37,843	$ (164,239)	$ 32,429

Stock Ownership Plans

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

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11. Stockholders Equity (continued)

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

On May 26, 2010, the Company established the Willbros Group, Inc. 2010 Stock and Incentive Compensation Plan (the 2010 Plan) with 2,100,000 shares of common stock authorized for issuance to provide for awards to key employees of the Company. All future grants of stock awards to key employees will be made through the 2010 Plan. As a result, the 1996 Plan was frozen, with the exception of normal vesting, forfeiture and other activity associated with awards previously granted under the 1996 Plan. At September 30, 2011, the 2010 Plan had 1,196,807 shares available for grant.

Restricted stock and restricted stock units or rights, also described collectively as restricted stock units (RSUs), and options granted to employees vest generally over a three to four year period. Options granted under the 2010 Plan expire 10 years subsequent to the grant date. Upon stock option exercise, common shares are issued from treasury stock. Options granted under the Director Plan are fully vested. Restricted stock and restricted stock rights granted under the 2006 Director Plan vest one year after the date of grant. At September 30, 2011, the 2006 Director Plan had 46,373 shares available for grant. For RSUs granted prior to March of 2009, certain provisions allow for accelerated vesting upon eligible retirement. Additionally, certain provisions allow for accelerated vesting in the event of involuntary termination not for cause or a change of control of the Company. During the three months ended September 30, 2011 and 2010, $97 and $223, respectively, of compensation expense was recognized due to accelerated vesting of RSUs due to retirement and separation from the Company.

Share-based compensation related to RSUs is recorded based on the Company s stock price as of the grant date. Expense from both stock options and RSUs totaled $5,155 and $1,911, respectively, for the nine months ended September 30, 2011 and 2010.

The Company determines fair value of stock options as of its grant date using the Black-Scholes valuation method. No options were granted during the nine months ended September 30, 2011 and 2010.

The Company s stock option activity and related information consist of:

	Shares	Weighted-Average Exercise Price
Outstanding, January 1, 2011	227,750	$ 15.28
Granted		
Exercised		
Forfeited or expired		
Outstanding, September 30, 2011	227,750	$ 15.28
Exercisable, September 30, 2011	227,750	$ 15.28

As of September 30, 2011, the aggregate intrinsic value of stock options outstanding and stock options exercisable was $0 and $0, respectively. The weighted average remaining contractual term of outstanding options and exercisable options is 3.54 years and 3.54 years, respectively, at September 30, 2011. The total intrinsic value of options exercised was $0 and $0 during the nine months ended September 30, 2011 and 2010, respectively. The total fair value of options vested during the nine months ended September 30, 2011 and 2010 was $135 and $0, respectively.

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11. Stockholders Equity (continued)

The Company s non-vested options at September 30, 2011 and the changes in non-vested options during the nine months ended September 30, 2011 are as follows:

	Shares		Weighted-Average Grant-Date Fair Value
Non-vested, January 1, 2011	20,000	$	6.77
Granted			
Vested	(20,000)		6.77
Forfeited or expired			
Non-vested, September 30, 2011		$	

The Company s RSU activity and related information for the nine months ended September 30, 2011 consist of:

	Shares		Weighted-Average Grant-Date Fair Value
Outstanding, January 1, 2011	888,853	$	13.54
Granted	814,963		10.34
Vested	(426,142)		14.00
Forfeited	(119,794)		13.12
Outstanding, September 30, 2011	1,157,880	$	11.20

The total fair value of RSU s vested during the nine months ended September 30, 2011 and 2010 was $5,970 and $7,406, respectively.

As of September 30, 2011, there was a total of $9,991 of unrecognized compensation cost, net of estimated forfeitures, related to all non-vested share-based compensation arrangements granted under the Company s stock ownership plans. That cost is expected to be recognized over a weighted-average period of 2.59 years.

Warrants to Purchase Common Stock

In 2006, the Company completed a private placement of equity to certain accredited investors pursuant to which the Company issued and sold 3,722,360 shares of the Company s common stock resulting in net proceeds of $48,748. In conjunction with the private placement, the Company also issued warrants to purchase an additional 558,354 shares of the Company s common stock. Each warrant was exercisable, in whole or in part, until 60 months from the date of issuance at an exercise price of $19.03 per share. The fair value of the warrants was $3,423 on the date of the grant, as calculated using the Black-Scholes option-pricing model. There were 536,925 warrants outstanding at September 30, 2011 and 2010, respectively. These warrants expired, unexercised, on October 27, 2011.

12. Income (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is based on the weighted average number of shares outstanding during each period and the assumed exercise of potentially dilutive stock options and warrants and vesting of RSUs less the number of treasury shares assumed to be purchased from the proceeds using the average market price of the Company s stock for each of the periods presented. The Company s convertible notes are included in the calculation of diluted income per share under the if-converted method. Additionally, diluted income (loss) per share for continuing operations is calculated excluding the after-tax interest expense associated with the convertible notes since these notes are treated as if converted into common stock.

Basic and diluted income (loss) per common share from continuing operations for the three and nine months ended September 30, 2011 and 2010 are computed as follows:

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12. Income (Loss) Per Share (continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Income (loss) from continuing operations	$ (99,410)	$ 38,411	$ (131,323)	$ 38,702
Less: Income attributable to noncontrolling interest	(296)	(293)	(878)	(902)
Net income (loss) from continuing operations attributable to Willbros Group, Inc. (numerator for basic calculation)	(99,706)	38,118	(132,201)	37,800
Add: Interest and debt issuance costs associated with convertible notes		1,246		2,108
Net income (loss) from continuing operations applicable to common shares (numerator for diluted calculation)	$ (99,706)	$ 39,364	$ (132,201)	$ 39,908
Weighted average number of common shares outstanding for basic income (loss) per share	47,533,967	46,997,431	47,429,059	41,651,994
Weighted average number of potentially dilutive common shares outstanding		5,156,598		3,238,011
Weighted average number of common shares outstanding for diluted income per share	47,533,967	52,154,029	47,429,059	44,890,005
Income (loss) per common share from continuing operations:				
Basic	$ (2.10)	$ 0.81	$ (2.79)	$ 0.91
Diluted	$ (2.10)	$ 0.75	$ (2.79)	$ 0.89

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

	Three Months Ended September 30,	
	2011	2010
6.5% Senior Convertible Notes	1,825,587	
Stock options	227,750	187,860
Warrants to purchase common stock	536,925	536,925
Restricted stock and restricted stock rights	183,581	

2,773,843	724,785

In accordance with the FASB s standard on income (loss) per share contingently convertible instruments, the shares issuable upon conversion of the 6.5% Notes, would have been included in diluted income (loss) per share, if those securities were dilutive, regardless of whether the Company s stock price was greater than or equal to the conversion price of $17.56. However, these securities are only dilutive to the extent that interest per weighted average convertible share does not exceed basic income (loss) per share. For the three months ended September 30, 2011, the related interest per convertible share associated with the 6.5% Notes did exceed basic income (loss) per share for the current period. As such, those shares have not been included in the computation of diluted income (loss) per share.

13. Segment Information

The Company s segments are comprised of strategic businesses that are defined by the industries they serve. Each is managed as an operation with well established strategic directions and performance requirements. Prior to the InfrastruX acquisition, the Company operated through two business segments: *Upstream Oil & Gas*

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13. Segment Information (continued)

and Downstream Oil & Gas. These segments operate primarily in the United States, Canada, and Oman. On July 1, 2010, the Company closed on the acquisition of InfrastruX, which diversified the Company s capabilities and expanded its geographic footprint. InfrastruX provided maintenance and construction solutions to customers in the electric power and natural gas transmission and distribution markets. Post acquisition, the Company established a third business segment, *Utility Transmission & Distribution Utility T&D* , which includes electric power transmission and distribution and low-pressure, inside the gate natural gas distribution. The natural gas transmission division of InfrastruX, which is similar to Willbros legacy U.S. pipeline construction business unit, was incorporated into the Company s *Upstream Oil & Gas* segment effective January 1, 2011. Management evaluates the performance of each operating segment based on operating income. Corporate operations include the executive management, general, administrative, and financing functions of the organization. The costs to provide these services are allocated, as are certain other corporate assets, among the three operating segments. There were no material inter-segment revenues in the periods presented.

The following tables reflect the Company s reconciliation of segment operating results to net income (loss) in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010:

For the three months ended September 30, 2011:

	Upstream Oil & Gas	*Downstream Oil & Gas*	*Utility T&D*	Consolidated
Revenue	$ 226,372	$ 53,680	$ 186,051	$ 466,103
Operating expenses	212,791	57,553	181,937	452,281
Goodwill impairment			134,263	134,263
Changes in fair value of contingent earnout				(4,000)
Operating income (loss)	$ 13,581	$ (3,873)	$ (130,149)	(116,441)
Other expense				(11,290)
Benefit for income taxes				(28,321)
Income from continuing operations				(99,410)
Loss from discontinued operations net of benefit for income taxes				(11,563)
Net loss				(110,973)
Less: Income attributable to noncontrolling interest				(296)
Net loss attributable to Willbros Group, Inc.				$ (111,269)

For the three months ended September 30, 2010:

	Upstream Oil & Gas	*Downstream Oil & Gas*	*Utility T&D*	Consolidated
Revenue	$ 189,359	$ 80,870	$ 133,730	$ 403,959

Operating expenses	159,674	80,486	149,615	389,775
Goodwill impairment		12,000		12,000
Changes in fair value of contingent earnout				(45,340)
Operating income (loss)	$ 29,685	$ (11,616)	$ (15,885)	47,524
Other expense				(11,251)
Benefit for income taxes				(2,138)
Income from continuing operations				38,411
Loss from discontinued operations net of benefit for income taxes				(2,710)
Net income				35,701
Less: Income attributable to noncontrolling interest				(293)
Net income attributable to Willbros Group, Inc.				$ 35,408

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13. Segment Information (continued)

For the nine months ended September 30, 2011:

	Upstream Oil & Gas	*Downstream Oil & Gas*	*Utility T&D*	Consolidated
Revenue	$ 579,375	$ 165,376	$ 508,574	$ 1,253,325
Operating expenses	562,954	178,024	512,247	1,253,225
Settlement of project termination	8,236			8,236
Goodwill impairment			134,263	134,263
Changes in fair value of contingent earnout				(10,000)
Operating income (loss)	$ 8,185	$ (12,648)	$ (137,936)	(132,399)
Other expense				(40,683)
Benefit for income taxes				(41,759)
Loss from continuing operations				(131,323)
Loss from discontinued operations net of benefit for income taxes				(27,571)
Net loss				(158,894)
Less: Income attributable to noncontrolling interest				(878)
Net loss attributable to Willbros Group, Inc.				$ (159,772)

For the nine months ended September 30, 2010:

	Upstream Oil & Gas	*Downstream Oil & Gas*	*Utility T&D*	Consolidated
Revenue	$ 452,630	$ 202,895	$ 133,730	$ 789,255
Operating expenses	405,510	217,962	149,615	773,087
Goodwill impairment		12,000		12,000
Changes in fair value of contingent earnout				(45,340)
Operating income (loss)	$ 47,120	$ (27,067)	$ (15,885)	49,508
Other expense				(14,619)
Benefit for income taxes				(3,813)
Income from continuing operations				38,702
Loss from discontinued operations net of benefit for income taxes				(7,067)

Net income		31,635
Less: Income attributable to noncontrolling interest		(902)
Net income attributable to Willbros Group, Inc.	$	30,733

Total assets by segment as of September 30, 2011 and December 31, 2010 are presented below:

		September 30, 2011		**December 31, 2010**
Upstream Oil & Gas	$	197,792	$	239,488
Downstream Oil & Gas		109,075		126,095
Utility T&D		510,932		661,386
Corporate		174,106		210,812
Total assets, continuing operations	$	991,905	$	1,237,781

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14. Contingencies, Commitments and Other Circumstances

Contingencies

Resolution of criminal and regulatory matters

In May 2008, the United States Department of Justice filed an Information and Deferred Prosecution Agreement (DPA) in the United States District Court in Houston concluding its investigation into violations of the Foreign Corrupt Practices Act of 1977, as amended, by Willbros Group, Inc. and its subsidiary Willbros International, Inc. (WII). Also in May 2008, WGI reached a final settlement with the SEC to resolve its previously disclosed investigation of possible violations of the FCPA and possible violations of the Securities Act and the Exchange Act. These investigations stemmed primarily from the Company s former operations in Bolivia, Ecuador and Nigeria. The settlements together required the Company to pay a total of $32,300 in penalties and disgorgement, over approximately three years, plus post-judgment interest on $7,725, all of which has now been paid. As part of its agreement with the SEC, the Company is subject to a permanent injunction barring future violations of certain provisions of the federal securities laws. As to its agreement with the DOJ, both WGI and WII for a period of three years from May 2008, were subject to the DPA, which among its terms provides that, in exchange for WGI s and WII s full compliance with the DPA, the DOJ will not continue a criminal prosecution of WGI and WII and with the successful completion of the DPA s terms, the DOJ will move to dismiss the criminal information. The Company believes that the DPA has now expired and has asked the DOJ to dismiss the criminal information, but the DOJ has declined to do so because the monitorship (described in the next paragraph) has not yet been completed.

WGI and WII intend to fully cooperate with the government and comply with all federal criminal laws, including but not limited to the FCPA. As provided for in the DPA, with the approval of the DOJ and effective September 25, 2009, the Company retained a government-approved independent monitor, at the Company s expense, for a two and one-half year period, who is reporting to the DOJ on the Company s compliance with the FCPA and other applicable laws. Although the Company believes the DPA has expired, the Company remains subject to the monitorship. The monitor s term ends in March 2012, unless extended.

Since the appointment of the monitor, the Company has cooperated and provided the monitor with access to information, documents, records, facilities and employees. On March 1, 2010, the monitor filed with the DOJ the first of three required reports under the DPA. In the report, the monitor made numerous findings and recommendations to the Company with respect to the improvement of its internal controls and policies and procedures for detecting and preventing violations of applicable anti-corruption laws. On March 11, 2011, the monitor filed the second of the three required reports with the DOJ. In the second report, the monitor made additional findings and recommendations to the Company. The monitor will continue to review the Company s operations through the term of the monitorship.

The Company is obligated to adopt the recommendations in the monitor s reports unless the Company advises the monitor and the DOJ that it considers the recommendations unduly burdensome, impractical, costly or otherwise inadvisable. The Company has advised the DOJ that it intends to implement all of the recommendations in the first and second reports. The Company will require increased resources, costs and management oversight in order to effectively implement the recommendations.

Failure by the Company to abide by the FCPA or other laws could result in prosecution and other regulatory sanctions.

Settlement Facility Construction Project Dispute

In September 2008, TransCanada Pipelines, Ltd. (TransCanada) awarded the Company the cost-reimbursable plus fixed fee construction contract for seven pump stations in Nebraska and Kansas. On January 13, 2010, TransCanada notified the Company that it was in breach of the contract and was being terminated for cause immediately. At the time of termination, the Company had completed approximately 91.0 percent of its scope of work.

The Company disputed the validity of the termination for cause and challenged the contractual procedure followed by TransCanada for termination for cause, which allows for a 30 day notification period during which time the

Company is granted the opportunity to remedy the alleged default. Despite not being granted this time, the Company agreed in good faith to cooperate with TransCanada in an orderly demobilization and handover of the remaining work. Prior to the settlement of this claim in June 2011, the Company had outstanding receivables related to this project of $71,159 and unapproved change orders for additional work of $4,223, which had not been billed. Additionally, there were claims for additional fees totaling $16,442. It is the Company s policy not to recognize income on unapproved change orders or claims until they have been approved. Accordingly, the $4,223 in pending change orders and the $16,442 of claims were excluded from the Company s revenue recognition. The preceding balances were partially offset by an unissued billing credit of $2,000 related to a TransCanada mobilization prepayment.

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14. Contingencies, Commitments and Other Circumstances (continued)

In May and June of 2010, the Company filed liens on the constructed facilities. On June 16, 2010, the Company notified TransCanada that the Company intended to exercise its rights to conflict resolution under the contract, and on July 6, 2010, the International Chamber of Commerce received the Company s request for arbitration. On September 15, 2010, the Company received TransCanada s response to the Notice of Arbitration, which included a counterclaim for damages of $23,000 for the alleged breach of contract. In addition, TransCanada disclaimed its responsibility for payment of the current receivable balance outstanding as of June 30, 2011, the unapproved change orders for additional work and claims for additional fees.

On June 24, 2011, the Company and TransCanada entered into an agreement that settled all of the outstanding claims between the parties related to the contract. Under terms of the settlement agreement, the Company received a payment of $61,000, waived all claims for additional costs, fees and change orders, was relieved of any further warranty obligations on the project, agreed to release the liens it had filed, and has been reinstated as an approved bidder to TransCanada and its affiliates. TransCanada also waived its counterclaim. The Company remains in a dispute with one subcontractor on the project and, under the settlement agreement, is obligated to resolve the dispute and remove liens filed against the project by the subcontractor. The Company believes it has an adequate reserve for this matter. As a result of the settlement, the Company incurred a non-cash charge in its second quarter 2011 results of $8,236, which is included in the Settlement of project dispute line item for the nine months ended September 30, 2011.

Other

In addition to the matters discussed above and in Note 17 Discontinuance of Operations, Asset Disposals, and Transition Service Agreement, the Company is party to a number of other legal proceedings. Management believes that the nature and number of these proceedings are typical for a firm of similar size engaged in a similar type of business and that none of these proceedings is material to the Company s results of operations, consolidated financial position or cash flows.

Commitments

From time to time, the Company enters into commercial commitments, usually in the form of commercial and standby letters of credit, surety bonds and financial guarantees. Contracts with the Company s customers may require the Company to secure letters of credit or surety bonds with regard to the Company s performance of contracted services. In such cases, the commitments can be called upon in the event of failure to perform contracted services. Likewise, contracts may allow the Company to issue letters of credit or surety bonds in lieu of contract retention provisions, where the client withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. At September 30, 2011, the Company had approximately $21,382 of outstanding letters of credit, all of which related to continuing operations. This amount represents the maximum amount of payments the Company could be required to make if these letters of credit are drawn upon. Additionally, the Company issues surety bonds customarily required by commercial terms on construction projects. At September 30, 2011, the Company had bonds outstanding, primarily performance bonds, with a face value at $599,098 related to continuing operations. This amount represents the bond penalty amount of future payments the Company could be required to make if the Company fails to perform its obligations under such contracts. The performance bonds do not have a stated expiration date; rather, each is released when the contract is accepted by the owner. The Company s maximum exposure as it relates to the value of the bonds outstanding is lowered on each bonded project as the cost to complete is reduced. As of September 30, 2011, no liability has been recognized for letters of credit or surety bonds.

Other Circumstances

Operations outside the United States may be subject to certain risks, which ordinarily would not be expected to exist in the United States, including foreign currency restrictions; extreme exchange rate fluctuations; expropriation of assets; civil uprisings, riots, and war; unanticipated taxes including income taxes, excise duties, import taxes, export taxes, sales taxes or other governmental assessments; availability of suitable personnel and equipment; termination of existing contracts and leases; government instability and legal systems of decrees, laws, regulations, interpretations and court decisions which are not always fully developed and which may be retroactively applied. Management is not presently aware of any events of the type described in the countries in which it operates that would have a material effect on the financial statements, and no such events have been provided for in the accompanying Condensed Consolidated Financial Statements.

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14. Contingencies, Commitments and Other Circumstances (continued)

Based upon the advice of local advisors in the various work countries concerning the interpretation of the laws, practices and customs of the countries in which the Company operates, management believes the Company follows the current practices in those countries and as applicable under the FCPA. However, because of the nature of these potential risks, there can be no assurance that the Company may not be adversely affected by them in the future.

The Company insures substantially all of its equipment in countries outside the United States against certain political risks and terrorism through political risk insurance coverage. The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. Where work is performed through a joint venture, the Company also has possible liability for the contract completion and warranty responsibilities of its joint venture partners. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is normally responsible for the performance of the entire project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying Condensed Consolidated Financial Statements.

The Company attempts to manage contract risk by implementing a standard contracting philosophy to minimize liabilities assumed in the agreements with the Company s clients. With the acquisitions the Company has made in the last few years, however, there may be contracts or master service agreements in place that do not meet the Company s current contracting standards. While the Company has made efforts to improve its contractual terms with its clients, this process takes time to implement. The Company has attempted to mitigate the risk by requesting amendments with its clients and by maintaining primary and excess insurance, of certain specified limits, in the event a loss was to ensue.

See Note 17 Discontinuance of Operations, Asset Disposals, and Transition Services Agreement for discussion of commitments and contingencies associated with Discontinued Operations.

15. Fair Value Measurements

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

Fair Value Hierarchy

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company measures its financial assets and financial liabilities, specifically its hedging arrangements and contingent earnout liability, at fair value on a recurring basis. The fair value of these financial assets and liabilities was determined using the following inputs as of September 30, 2011:

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15. Fair Value Measurements (continued)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Interest rate caps	$	$	$	$
Liabilities:				
Interest rate swaps	1,747		1,747	

Contingent earnout liability

In connection with the acquisition of InfrastruX on July 1, 2010, InfrastruX shareholders are eligible to receive earnout payments of up to $125,000 if certain EBITDA targets are met. These payments will be paid to former InfrastruX shareholders who qualify as accredited investors as defined by the SEC in a combination of cash and non-convertible, non-voting preferred stock of the Company, pursuant to the terms within the Merger Agreement, and to non-accredited former InfrastruX shareholders and former holders of InfrastruX RSUs in the form of cash.

As a result, the Company estimated the fair value of the contingent earnout liability based on its probability assessment of InfrastruX s EBITDA achievements during the earnout period. In developing these estimates, the Company considered its revenue and EBITDA projections, its historical results, and general macro-economic environment and industry trends. This fair value measurement is based on significant revenue and EBITDA inputs not observed in the market, which represents a Level 3 measurement. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect the Company s own assumptions in measuring fair value.

In accordance with the FASB s standard on business combinations, the Company reviews the contingent earnout liability on a quarterly basis in order to determine its fair value. Changes in the fair value of the liability are recorded within operating expenses in the period in which the change is made and the liability may increase or decrease on a quarterly basis until the earnout period has concluded.

The following table represents a reconciliation of the change in the fair value measurement of the contingent earnout liability for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30,	
	2011	**2010**
Beginning balance	$ 4,000	$ 55,340
Change in fair value of contingent earnout liability included in operating expenses	(4,000)	(45,340)
Ending balance	$	$ 10,000

	Nine Months Ended September 30,	
	2011	**2010**

Beginning balance	$ 10,000	$
Fair value of contingent earnout liability initially recorded in connection with the acquisition		55,340
Change in fair value of contingent earnout liability included in operating expenses	(10,000)	(45,340)
Ending balance	$	$ 10,000

The Company recorded a $4,000 and $10,000 adjustment to the estimated fair value of the contingent earnout liability for the three months and nine months ended September 30, 2011, respectively, due to a decrease in the probability-weighted estimated achievement of InfrastruX s EBITDA targets as set forth in the Merger Agreement.

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15. Fair Value Measurements (continued)

Hedging Arrangements

The Company attempts to negotiate contracts that provide for payment in U.S. dollars, but it may be required to take all or a portion of payment under a contract in another currency. To mitigate non-U.S. currency exchange risk, the Company seeks to match anticipated non-U.S. currency revenue with expenses in the same currency whenever possible. To the extent it is unable to match non-U.S. currency revenue with expenses in the same currency; the Company may use forward contracts, options or other common hedging techniques in the same non-U.S. currencies. The Company had no derivative financial instruments to hedge currency risk at September 30, 2011 or December 31, 2010.

Interest Rate Swaps

In conjunction with the 2010 Credit Agreement, the Company is subject to hedging arrangements to fix or otherwise limit the interest cost of the term loans. The Company is subject to interest rate risk on its debt and investment of cash and cash equivalents arising in the normal course of business, as the Company does not engage in speculative trading strategies.

In September 2010, the Company entered into two 18-month forward-starting interest rate swap agreements for a total notional amount of $150,000 in order to hedge changes in the variable rate interest expense of half of the $300,000 Term Loan maturing on June 30, 2014. Under each swap agreement, the Company receives interest at a floating rate of three-month Libor, conditional on three-month LIBOR exceeding 2 percent (to mirror variable rate interest provisions of the underlying hedged debt), and pays interest at a fixed rate of 2.685 percent, effective March 28, 2012 through June 30, 2014. The swap agreements are designated and qualify as cash flow hedging instruments, with the effective portion of the swaps change in fair value recorded in Other Comprehensive Income (OCI). The interest rate swaps are deemed to be highly effective hedges, and resulted in no gain or loss recorded for hedge ineffectiveness in the Condensed Consolidated Statement of Operations. Amounts in OCI are reported in interest expense when the hedged interest payments on the underlying debt are recognized. The fair value of each swap agreement was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates.

Interest Rate Caps

In September 2010, the Company entered into two interest rate cap agreements for notional amounts of $75,000 each in order to limit its exposure to an increase of the interest rate above 3 percent, effective September 28, 2010 through March 28, 2012. Total premiums of $98 were paid for the interest rate cap agreements. Through June 1, 2011, the cap agreements were designated and qualified as cash flow hedging instruments, with the effective portion of the caps change in fair value recorded in OCI. Amounts in OCI and the premiums paid for the caps were reported in interest expense as the hedged interest payments on the underlying debt were recognized during the period when the caps were designated as cash flow hedges. Through June 1, 2011, the interest rate caps were deemed to be highly effective, resulting in an immaterial amount of hedge ineffectiveness recorded in the Condensed Consolidated Statement of Operations. On June 1, 2011, the caps were de-designated due the interest rate being fixed on the underlying debt through the remaining term of the caps; changes in the value of the caps subsequent to that date will be reported in earnings. The amount reported in earnings for the undesignated interest rate caps for the three months and nine months ended September 30, 2011 is immaterial. The fair value of the interest rate cap agreements was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates. An immaterial amount of OCI relating to the interest rate swap and caps is expected to be recognized in earnings in the coming 12 months.

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

15. Fair Value Measurements (continued)

	Liability Derivatives			
	September 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts- swaps	Other short-term Liabilities	$ 428	Other Assets	$ 12
Interest rate contracts- swaps	Other long-term Liabilities	$ 1,319	Other long-term Assets	104
Total derivatives		$ 1,747		$ 116

For the three months ended September 30,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	2011	2010		2011	2010		2011	2010
Interest rate contracts	$ (731)	$ (805)	Interest expense, net	$ (11)	$	Interest expense, net	$	$ (9)
Total	$ (731)	$ (805)		$ (11)	$		$	$ (9)

For the nine months ended September 30,

Derivatives in ASC	Amount of Gain or (Loss)	Location of Gain or (Loss) Reclassified from	Amount of Gain or (Loss) Reclassified from	Location of Gain or (Loss) Recognized in Income on	Amount of Gain or (Loss) Recognized in Income on

815 Cash Flow Hedging Relationships	Recognized in OCI on Derivative (Effective Portion)		Accumulated OCI into Income (Effective Portion)	Accumulated OCI into Income (Effective Portion)		Derivative (Ineffective Portion)	Derivative (Ineffective Portion)	
	2011	2010		2011	2010		2011	2010
Interest rate contracts	$ (1,850)	$ (805)	Interest expense, net	$ (13)	$	Interest expense, net	$	$ (9)
Total	$ (1,850)	$ (805)		$ (13)	$		$	$ (9)

16. Property, Plant and Equipment

Property, plant and equipment, at cost, which are used to secure debt or are subject to lien, as of September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011	December 31, 2010
Construction equipment	$ 106,085	$ 108,949
Furniture and equipment	51,437	50,605
Land and buildings	27,953	39,398
Transportation equipment	159,669	155,326
Leasehold improvements	17,590	17,748
Marine equipment	110	120
Total property, plant and equipment	362,844	372,146
Less: accumulated depreciation	(182,191)	(152,268)
Total property, plant and equipment, net	$ 180,653	$ 219,878

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Amounts above include $6,603 and $3,698 of construction in progress as of September 30, 2011 and December 31, 2010, respectively. Depreciation expense included in operating expense for the nine months ended September 30, 2011 and the year ended December 31, 2010 was $38,877 and $42,245, respectively.

During the three months ended September 30, 2011, the Company sold approximately $11,049 in equipment and facilities through sales-leaseback arrangements. As a result of these transactions, the Company made an accelerated payment against its Term Loan of approximately $22,179.

17. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement

Strategic Decisions

In 2006, the Company announced that it intended to sell its assets and operations in Venezuela and Nigeria.

In 2010, the Company recognized that its investment in establishing a presence in Libya, while resulting in contract awards, had not yielded any notice to proceed on these awards. As a result, the Company exited this market due to the project delays coupled with the identification of other more attractive opportunities.

In April 2011, as part of its ongoing strategic evaluation of operations, the Company s Board of Directors made the decision to exit the Canadian cross-country pipeline construction market and liquidate its investment in the related business.

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17. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)

Nigeria Assets and Nigeria-Based Operations

Share Purchase Agreement

On February 7, 2007, Willbros Global Holdings, Inc., formerly known as Willbros Group, Inc., a Panama corporation (WGHI), which is now a subsidiary of the Company and holds a portion of the Company s non-U.S. operations, sold its Nigeria assets and Nigeria-based operations in West Africa to Ascot Offshore Nigeria Limited (Ascot), a Nigerian oilfield services company, for total consideration of $155,250 (later adjusted to $130,250). The sale was pursuant to a Share Purchase Agreement by and between WGHI and Ascot dated as of February 7, 2007 (the Agreement), providing for the purchase by Ascot of all of the share capital of WG Nigeria Holdings Limited (WGNHL), the holding company for Willbros West Africa, Inc. (WWAI), Willbros (Nigeria) Limited, Willbros (Offshore) Nigeria Limited and WG Nigeria Equipment Limited.

In connection with the sale of its Nigeria assets and operations, WGHI and WII, another subsidiary of the Company, entered into an indemnity agreement with Ascot and Berkeley Group plc (Berkeley), the parent company of Ascot (the Indemnity Agreement), pursuant to which Ascot and Berkeley agreed to indemnify WGHI and WII for any obligations incurred by WGHI or WII in connection with the parent company guarantees (the Guarantees) that WGHI and WII previously issued and maintained on behalf of certain former subsidiaries now owned by Ascot under certain working contracts between the subsidiaries and their customers. Either WGHI, WII or both may continue to be contractually obligated, in varying degrees, under the Guarantees with respect to the performance of work related to several ongoing projects. Among the Guarantees covered by the Indemnity Agreement are five contracts under which the Company estimates that, at February 7, 2007, there was aggregate remaining contract revenue, excluding any additional claim revenue, of $352,107 and aggregate estimated cost to complete of $293,562. At the February 7, 2007 sale date, one of the contracts covered by the Guarantees was estimated to be in a loss position with an accrual for such loss of $33,157. The associated liability was included in the liabilities acquired by Ascot and Berkeley.

Approximately one year after the sale of the Nigeria assets and operations, WGHI received its first notification asserting various rights under one of the outstanding Guarantees. On February 1, 2008, WWAI, the Ascot company performing the West African Gas Pipeline (WAGP) contract, received a letter from West African Gas Pipeline Company Limited (WAPCo), the owner of WAGP, wherein WAPCo gave written notice alleging that WWAI was in default under the WAGP contract, as amended, and giving WWAI a brief cure period to remedy the alleged default. The Company understands that WWAI responded by denying being in breach of its WAGP contract obligations, and apparently also advised WAPCo that WWAI requires a further $55 million, without which it will not be able to complete the work which it had previously undertaken to perform. The Company understands that, on February 27, 2008, WAPCo terminated the WAGP contract for the alleged continuing non-performance of WWAI.

Also, in February 2008, WGHI received a letter from WAPCo reminding WGHI of its parent guarantee on the WAGP contract and requesting that WGHI remedy WWAI s default under that contract, as amended. WGHI responded to WAPCo, consistent with its earlier communications, that, for a variety of legal, contractual, and other reasons, it did not consider the prior WAGP contract parent guarantee to have continued application. In February 2009, WGHI received another letter from WAPCo formally demanding that WGHI pay all sums payable in consequence of the non-performance by WWAI with WAPCo and stating that quantification of that amount would be provided sometime in the future when the work was completed. In spite of this letter, the Company continued to believe that the parent guarantee was not valid. WAPCo disputed WGHI s position that it is no longer bound by the terms of WGHI s prior parent guarantee of the WAGP contract and has reserved all its rights in that regard.

On February 15, 2010, WGHI received a letter from attorneys representing WAPCo seeking to recover from WGHI under its prior WAGP contract parent company guarantee for losses and damages allegedly incurred by WAPCo in connection with the alleged non-performance of WWAI under the WAGP contract. The letter purports to be a formal notice of a claim for purposes of the Pre-Action Protocol for Construction and Engineering Disputes under the rules of the High Court in London, England. The letter claims damages in the amount of $264,834. At February 7, 2007, when WGHI sold its Nigeria assets and operations to Ascot, the total WAGP contract value was $165,300 and the WAGP project was estimated to be approximately 82.0 percent complete. The remaining costs to complete the project at that time were estimated at slightly under $30,000. The Company is seeking to understand the magnitude of the WAPCo claim relative to the WAGP project s financial status three years earlier.

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17. Discontinuance of Operations, Asset Disposals, and Transition Services Agreement (continued)

On August 2, 2010, the Company received notice that WAPCo had filed suit against WGHI under English law in the London High Court on July 30, 2010, for the sum of $273,386 plus costs and interest. WGHI has several defenses to this claim and is contesting the matter vigorously, but the Company cannot provide any assurance as to the outcome. The Company expects the litigation process to be lengthy and that WGHI will incur significant legal fees and expenses as the trial approaches. Trial of the matter is expected to commence in June of 2012. The Company began to engage in a mediation process in September of 2011 in an effort to resolve the matter and expects to continue the process in December 2011.

The Company currently has no employees working in Nigeria and has no intention of returning to Nigeria. The Company does not expect that Ascot or Berkeley will have sufficient assets to meet their indemnification obligations to WGHI. If ultimately it is determined by an English Court that WGHI is liable, in whole or in part, for damages that WAPCo may establish against WWAI for WWAI s alleged non-performance of the WAGP contract, or if WAPCo is able to establish liability against WGHI directly under the parent company guarantee, WGHI may experience substantial losses. At this time, the Company cannot predict the outcome of the London High Court litigation.

Results of Discontinued Operations

The major classes of revenue and losses with respect to these discontinued operations are as follows:

	Three Months Ended September 30, 2011			
	Canada	WAPCo / Nigeria	Libya	Total
Contract revenue	$ 27,314	$	$	$ 27,314
Operating loss	(7,388)	(6,506)	(163)	(14,057)
Loss before income taxes	(7,384)	(6,506)	(163)	(14,053)
Benefit for income taxes	(2,490)			(2,490)
Net loss	(4,894)	(6,506)	(163)	(11,563)

	Three Months Ended September 30, 2010			
	Canada	WAPCo / Nigeria	Libya	Total
Contract revenue	$ 4,833	$	$	$ 4,833
Operating loss	(2,020)	(579)	(710)	(3,309)
Loss before income taxes	(1,970)	(579)	(710)	(3,259)
Benefit for income taxes	(549)			(549)
Net loss	(1,421)	(579)	(710)	(2,710)

	Nine Months Ended September 30, 2011			
	Canada	WAPCo / Nigeria	Libya	Total
Contract revenue	$ 119,792	$	$	$ 119,792
Operating loss	(20,439)	(12,115)	(459)	(33,013)
Loss before income taxes	(20,384)	(12,115)	(459)	(32,958)
Benefit for income taxes	(4,975)		(412)	(5,387)

Net loss	(15,409)	(12,115)	(47)	(27,571)

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	Nine Months Ended September 30, 2010			
	Canada	**WAPCo / Nigeria**	**Libya**	**Total**
Contract revenue	$ 4,662	$	$	$ 4,662
Operating loss	(4,938)	(1,324)	(2,480)	(8,742)
Loss before income taxes	(4,523)	(1,324)	(2,481)	(8,328)
Provision (benefit) for income taxes	(1,261)			(1,261)
Net loss	(3,262)	(1,324)	(2,481)	(7,067)

Total assets with respect to these discontinued operations are as follows:

	September 30, 2011			
	Canada	**WAPCo / Nigeria**	**Libya**	**Total**
Total assets	$ 44,016	$	$ 89	$ 44,105

	December 31, 2010			
	Canada	**WAPCo / Nigeria**	**Libya**	**Total**
Total assets	$ 47,780	$ 1	$ 240	$ 48,021

18. Condensed Consolidating Guarantor Financial Statements

Willbros Group, Inc. (the Parent) and its 100% owned U.S. subsidiaries (the Guarantors) may fully and unconditionally guarantee, on a joint and several basis, the obligations of the Company under debt securities that it may issue pursuant to a universal shelf registration statement on Form S-3 filed by the Company with the SEC. There are currently no restrictions on the ability of the Guarantors to transfer funds to the Parent in the form of cash dividends or advances. Condensed consolidating financial information for a) the Parent, b) the Guarantors and c) all other direct and indirect subsidiaries (the Non-Guarantors) as of September 30, 2011 and December 31, 2010 and for each of the three and nine months ended September 30, 2011 and 2010 follows.

Condensed consolidated financial information for a) the Parent, b) the Guarantors and c) the Non-Guarantors at December 31, 2010 have been revised to properly reflect certain errors in Guarantor and Non-Guarantor financial information previously presented, to properly reflect certain errors in intercompany transactions previously presented, as well as, to properly present non-controlling interest within the Eliminations column under the equity method of accounting. Such adjustments increased total assets $22,800 for the Parent, decreased total assets $52,900 for the Guarantors and increased total assets $64,000 for the Non-Guarantors. These revisions had no impact on the Company s consolidated results of operations, financial position and cash flows for all periods presented.

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Condensed Consolidating Balance Sheets

	September 30, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 48,153	$ 20,206	$ (26)	$ 68,333
Accounts receivable, net	113	293,619	51,709		345,441
Contract cost and recognized income not yet billed		31,971	4,295		36,266
Prepaid expenses and other assets	12,530	33,411	354	(8,351)	37,944
Parts and supplies inventories		4,225	5,141		9,366
Deferred income taxes	9,316		(170)		9,146
Assets held for sale			48,995		48,995
Receivables from affiliated companies	78,970	52,750		(131,720)	
Total current assets	100,929	464,129	130,530	(140,097)	555,491
Deferred income taxes	140,819	7,767	(42,827)	(102,302)	3,457
Property, plant and equipment, net		161,587	19,066		180,653
Goodwill		57,015	10,617		67,632
Other intangible assets, net		183,848			183,848
Investment in subsidiaries	164,951			(164,951)	
Other assets	236	44,936	(243)		44,929
Total assets	$ 406,935	$ 919,282	$ 117,143	$ (407,350)	$ 1,036,010
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Notes payable and current portion of long-term debt	$	$ 521	$	$	$ 521
Accounts payable and accrued liabilities	592	226,118	27,200	(26)	253,884
Contract billings in excess of cost and recognized income		21,058	89		21,147
Short-term borrowings under revolving credit facility		59,357			59,357
Current portion of capital lease obligations		2,910	123		3,033
Accrued income taxes	9,681		2,168	(8,351)	3,498
Other current liabilities		884	1,009		1,893
Liabilities held for sale			32,526		32,526
Payables to affiliated companies		11,283	120,437	(131,720)	

Total current liabilities	10,273	322,131	183,552	(140,097)	375,859
Long-term debt	32,050	198,519			230,569
Capital lease obligations		3,505	112		3,617
Contingent earnout					
Long-term liabilities for unrecognized tax benefits	1,864		2,781		4,645
Deferred income taxes		112,862	4,666	(102,302)	15,226
Other long-term liabilities		42,114	1,232		43,346
Total liabilities	44,187	679,131	192,343	(242,399)	673,262
Stockholders equity:					
Total stockholders equity	362,748	240,151	(75,200)	(164,951)	362,748
Total liabilities and stockholders equity	$ 406,935	$ 919,282	$ 117,143	$ (407,350)	$ 1,036,010

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Condensed Consolidating Balance Sheets

	December 31, 2010				
	Parent	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Consolidated**
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 60,328	$ 73,822	$	$ 134,150
Accounts receivable, net	820	253,617	50,856		305,293
Contract cost and recognized income not yet billed		21,178	2,579		23,757
Prepaid expenses and other assets	18,490	35,720	543		54,753
Parts and supplies inventories		5,105	5,003		10,108
Deferred income taxes	11,004				11,004
Assets held for sale		9,166	52,154		61,320
Receivables from affiliated companies	198,909	2,675		(201,584)	
Total current assets	229,223	387,789	184,957	(201,584)	600,385
Deferred income taxes	47,711		16	(31,157)	16,570
Property, plant and equipment, net		191,293	28,585		219,878
Goodwill		200,680	11,073		211,753
Other intangible assets, net		195,457			195,457
Investment in subsidiaries	350,062			(350,062)	
Other assets	80	42,225	(546)		41,759
Total assets	$ 627,076	$ 1,017,444	$ 224,085	$ (582,803)	$ 1,285,802
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Notes payable and current portion of long-term debt	$ 58,671	$ 12,923	$	$	$ 71,594
Accounts payable and accrued liabilities	638	153,488	34,260		188,386
Contract billings in excess of cost and recognized income		14,899	28		14,927
Current portion of government obligations			6,575		6,575
Current portion of capital lease obligations		5,237	129		5,366
Accrued income taxes	8,495	1	2,230	(8,370)	2,356
Other current liabilities	1,688	1,106	2,038		4,832
Liabilities held for sale			27,548		27,548
Payables to affiliated companies			201,584	(201,584)	

Total current liabilities	69,492	187,654	274,392	(209,954)	321,584
Long-term debt	32,054	273,173			305,227
Capital lease obligations		5,523	218		5,741
Contingent earnout		10,000			10,000
Long-term liabilities for unrecognized tax benefits	1,990		2,876		4,866
Deferred income taxes		96,725	2,082	(22,787)	76,020
Other long-term liabilities		38,743	81		38,824
Total liabilities	103,536	611,818	279,649	(232,741)	762,262
Stockholders equity:					
Total stockholders equity	523,540	405,626	(55,564)	(350,062)	523,540
Total liabilities and stockholders equity	$ 627,076	$ 1,017,444	$ 224,085	$ (582,803)	$ 1,285,802

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Condensed Consolidating Statement of Operations

	Nine Months Ended September 30, 2011				
	Parent	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Consolidated**
Contract revenue					