

GOLDFIELD CORP  
Form 10-K  
March 26, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K  
(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2013

Or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-7525

The Goldfield Corporation  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or other jurisdiction of  
incorporation or organization)  
1684 W. Hibiscus Boulevard  
Melbourne, Florida 32901  
(Address of principal executive offices, including zip code)  
(321) 724-1700  
(Registrant's telephone number, including area code)

88-0031580  
(I.R.S. Employer  
Identification No.)

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

Title of each class  
Common Stock  
par value \$0.10 per share

Name of each exchange on which registered  
NYSE MKT LLC

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

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

Large accelerated filer	..	Accelerated filer	..
Non-Accelerated Filer	..	Smaller reporting company	x

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$44.6 million as of June 30, 2013 (the last business day of the registrant's most recently completed second quarter), computed by reference to the price at which such common equity was last sold on such date.

The number of shares of the registrant's common stock, \$0.10 par value per share, outstanding as of March 24, 2014 was 25,451,354.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of The Goldfield Corporation's definitive proxy statement for its 2014 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K Report are incorporated by reference into Part III of this report.

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PART I

Item 1. Business.

General

The Goldfield Corporation, incorporated in Wyoming in 1906 and subsequently reincorporated in Delaware in 1968, is currently primarily engaged in electrical construction, including the placement of fiber optic cable. Unless the context otherwise requires, the terms “Goldfield” and the “Company,” “we,” “our” and “us” as used herein mean The Goldfield Corporation and its consolidated subsidiaries. The electrical construction operation serves electric utilities and industrial companies throughout much of the United States.

On January 3, 2014, Power Corporation of America (“PCA”), a Florida corporation and a wholly owned subsidiary of the Company, completed its acquisition of all the issued and outstanding shares of stock of C and C Power Line, Inc., a Florida corporation (“C&C”). C&C is a full service electrical contractor, headquartered in Jacksonville, Florida, with a unionized workforce. C&C has been involved in the electrical business primarily in Florida since 1989.

Our Internet website address is [www.goldfieldcorp.com](http://www.goldfieldcorp.com). Within the “Investor Relations” section of our website, we make available, free of charge, through links to the U.S. Securities and Exchange Commission (“SEC”) website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on our website is not incorporated by reference into this Annual Report on Form 10-K. Alternatively, you may also access our reports at the SEC’s website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file with the SEC at the SEC’s public reference facilities located at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference facilities.

Financial Information About Geographic Areas

During the years ended December 31, 2013 and 2012, our operations were exclusively in the United States.

Employees

As of March 16, 2014, we had a total of 302 employees, which included 296 full-time and 6 part-time employees. These employees included 56 unionized employees at the newly acquired subsidiary, C&C. The total number of employees includes 253 hourly-rate employees. The number of hourly-rate employees fluctuates depending upon the number and size of projects under construction at any particular time. We believe that our relationship with our employees is good.

Electrical Construction Operations

We provide electrical construction services throughout much of the United States. Through our subsidiary, Southeast Power Corporation (“Southeast Power”), we are engaged in the construction and maintenance of electric utility facilities for electric utilities and industrial customers, and the installation of fiber optic cable for fiber optic cable manufacturers, telecommunication companies and electric utilities. Southeast Power, headquartered in Titusville, Florida, performs electrical contracting services primarily in the southeastern, mid-Atlantic and western regions of the United States. Southeast Power has additional offices in Bastrop, Texas and Spartanburg, South Carolina. Our newly acquired subsidiary C&C, based in Jacksonville, Florida provides similar electrical construction services with a unionized work force, primarily in Florida.

Our electrical construction business includes the construction of transmission lines, concrete foundations, distribution systems and substations, and other electrical installation services for utility systems and industrial and specialty projects. We also perform fiber optic cable installation which is primarily overhead (Optical Ground Wire and All-Dielectric Self Supporting Cable).

Our customers include many of the leading companies in the utility industry. Representative customers include:

South Texas Electric Cooperative, Inc.	Central Electric Power Cooperative, Inc.
Florida Power & Light Company	Duke Energy Corporation
CPS Energy	Orlando Utilities Commission

Santee Cooper (South Carolina Public Service Authority) Lee County Electric Cooperative

Historically, a significant portion of our revenue has come from several different customers each year. Our largest customers may change from year to year. For the year ended December 31, 2013, our top three customers accounted

for approximately 54% of our consolidated revenue. Since the contribution of a customer may vary from year to year, we cannot predict the future effect of the loss of any given customer.

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It is our policy to commit ourselves only to the amount of work we believe we can properly supervise, equip and complete to the customer's satisfaction and timetable. As a result of this policy and the magnitude of some of the construction projects undertaken by us, a substantial portion of our annual revenue is derived from a relatively small number of customers. See note 12 to the consolidated financial statements for detail on sales to major customers which exceed 10% of total sales.

Construction is customarily performed pursuant to the plans and specifications of customers. We generally supply the management, labor, equipment and tools, while customers generally supply most of the required materials. Most projects have a duration of six months or less, although some contracts may extend beyond one year.

Revenue and results of operations in our electrical construction business can be subject to seasonal variations. These variations are influenced by weather, customer spending patterns and system loads.

We enter into contracts on the basis of either competitive bidding or direct negotiations with our customers.

Competitively bid contracts account for a majority of our electrical construction revenue. Although there is considerable variation in the terms of the contracts undertaken, such contracts are typically lump sum (fixed price) or unit price (time and material) contracts. Many of our contracts do not require our clients to purchase a minimum amount of services, and many of our contracts are cancelable on short notice. The magnitude and duration of projects undertaken by us vary, which may result in substantial fluctuations in our backlog from time to time.

Generally, our customers supply most or all of the materials required for a particular contract, except for the construction of concrete foundations, and we provide the personnel, tools and equipment to perform the installation services. However, with respect to a portion of our contracts, we may supply part or all of the materials required. In these instances, we are not dependent upon any one source for the materials that we customarily utilize to complete the job. We are not presently experiencing, nor do we anticipate experiencing, any difficulties in procuring an adequate supply of materials.

In certain circumstances, we are required to provide performance and payment bonds issued by a financial institution known as a surety to secure our contractual commitments. These bonds provide a guarantee to the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. If we fail to perform under a contract or to pay subcontractors and vendors, the customer may demand the surety make payments or provide services under the bond. Management is not aware of any performance bonds issued for us that have ever been called by a customer. We currently believe that we will not have to fund any claims under our surety arrangements in the foreseeable future. We believe that we have adequate bonding availability for our operations as presently conducted. As of December 31, 2013, outstanding performance bonds issued on behalf of our electrical construction subsidiary amounted to \$27.5 million.

**Backlog**

Our backlog represents the uncompleted portion of services to be performed under existing project-specific fixed-price contracts and the estimated value of future services that we expect to provide under our existing master service agreements ("MSAs").

The following table presents our total backlog as of December 31, 2013 and 2012:

	Backlog as of December 31, 2013	Backlog as of <sup>(1)</sup> December 31, 2012
	Total	Total
Fixed-price contracts	\$21,242,396	\$36,429,522
Master service agreements (MSAs)	53,252,783	39,994,210
Total	\$74,495,179	\$76,423,732

(1) The backlog as of December 31, 2012, has been revised to conform to the 2013 presentation of our backlog, which includes certain additional MSAs in existence as of December 31, 2012.

Our total backlog as of December 31, 2013, was \$74.5 million, of which \$21.2 million is believed to be firm due to the nature of our fixed price contracts and \$53.3 million of which is attributable to service agreements. Of our total backlog as of December 31, 2013, we expect approximately 51.3% to be completed during 2014. This compares to a backlog of \$76.4 million as of December 31, 2012, of which \$36.4 million was believed to be firm from fixed price

contracts and \$40.0 million of which was attributable to service agreements.

As of December 31, 2012, our total backlog included \$23.8 million (31.1%) from the South Texas Electric Cooperative (“STEC”) project. Excluding the STEC project, our backlog increased 41.5% from December 31, 2012 to December 31, 2013, growing from \$52.6 million to \$74.5 million.



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Backlog is only a snap-shot at a particular point in time and is not completely determinative of total future revenue in any particular period. It does not reflect future revenue from a significant number of short-term projects undertaken and completed between the snap-shot dates. For example, our revenue in 2013 exceeded our December 31, 2012 backlog by 16.1%.

As of December 31, 2013 and 2012, MSAs accounted for approximately 71.5% and 52.3% of total backlog, respectively.

Revenue estimates included in our backlog can be subject to change as a result of project accelerations, cancellations or delays due to various factors, including but not limited to: commercial issues, regulatory requirements and adverse weather. These factors can also cause revenue amounts to be realized in periods and at levels different than originally projected. Generally, our customers are not contractually committed to specific volumes of services under our MSAs, and while we did not experience any material cancellations during the current periods, most of our contracts may be terminated, typically upon 30 to 90 days notice, even if we are not in default under the contract. We determine the estimated amount of backlog for work under MSAs by using recurring historical trends inherent in current MSAs and projected customer needs based upon ongoing communications with the customer. While we believe that our methodology of calculation is appropriate, such methodology may not be comparable to that employed by some other companies.

### Competition and Regulation

The electrical construction business is highly competitive. We compete with other independent contractors, including larger regional and national firms that may have financial, operational, technical and marketing resources that exceed our own. Competitive factors include: level of technical expertise and experience, industry reputation, quality of work, price, geographic presence, dependability, availability of skilled personnel, worker safety and financial stability. Our management believes that we compete favorably with our competitors on the basis of these factors. There can be no assurance, however, that our competitors will not develop the expertise, experience and resources to provide services that are superior in both price and quality to our services, or that we will be able to maintain or enhance our competitive position.

We are subject to various federal, state and local statutes and rules regarding, among other things, contractor licensing, electrical codes, worker safety and environmental protection. We believe that we are in substantial compliance with all applicable regulatory requirements.

### Properties

The Company's principal office is located in Melbourne, Florida, where we lease 10,269 square feet of space at a monthly rental rate of \$12,500. The lease expires on October 31, 2020.

The main administrative and maintenance facilities of Southeast Power are located on a 13-acre tract of land near Titusville, Florida, which we own. The office building is approximately 6,100 square feet. The shop and maintenance facilities are approximately 17,000 square feet.

The administrative and maintenance offices of our South Carolina facilities are located on a 2.2-acre tract of land in Spartanburg, South Carolina, and also owned by the Company. The office building is approximately 1,500 square feet and the maintenance facilities are approximately 2,500 square feet.

The Company also owns and operates a facility, which accommodates both the administrative offices and a warehouse area, located on 13.2 acres of land in Bastrop County, Texas. The administrative building is approximately 2,900 square feet, the warehouse facilities are approximately 2,100 square feet and a covered storage facility of approximately 4,300 square feet is also maintained on the property. This property also includes a portable facility for security personnel.

We believe that the aforementioned properties are currently in good condition and properly maintained.

### Acquisition of C&C

To provide another platform for future growth, and as previously announced, we completed the acquisition of all the stock of C&C on January 3, 2014. The purchase price was \$7,250,000 in cash, subject to certain adjustments; \$725,000 of such purchase price was deposited into an escrow fund to secure certain purchase price adjustments and indemnification obligations.

For the year ended December 31, 2013, C&C had unaudited revenue of approximately \$14.6 million.



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Item 1A. Risk Factors.

Our business involves various risks associated with the operations of our Company. To provide a framework to understand our operating environment, we are providing a brief explanation of the significant risks associated with our business. Although we have tried to identify and discuss key risk factors, others could emerge in the future. Each of the following risks could affect our performance.

We derive a significant portion of our revenue from a small group of customers. The loss of one or more of these customers could negatively impact our revenue and results of operations.

Our electrical construction customer base is highly concentrated. For example, for the year ended December 31, 2013, our top three customers accounted for approximately 54% of our consolidated revenue, as discussed in note 12 to our consolidated financial statements herein. Our revenue could materially decline if we lose one or more of our significant customers. In addition, revenue under our contracts with significant customers may vary from period-to-period, depending on the timing and volume of work which such customers order in a given period, and as a result of competition from the in-house service organizations of our customers. Reduced demand for our services or the loss of one or more of these customers would, if not replaced by other business, result in a decrease in revenue, profits and cash receipts, which could have a material impact on our results of operations.

The electrical construction industry is highly competitive.

The electrical construction business is highly competitive and fragmented. We compete with other independent contractors, including larger regional and national firms that may have financial, operational, technical and marketing resources that exceed our own. We also face competition from existing and prospective customers establishing or augmenting in-house service organizations that employ personnel who perform some of the same types of services as those provided by us. Some of our competitors may have lower cost structures and may, therefore, be able to provide their services at lower rates than we can provide. Many of our current and potential competitors, especially our competitors with national scope, also may have significantly greater financial, technical and marketing resources than we do. If we fail to compete favorably with new or existing competitors, our results of operations and financial condition could be adversely affected.

Our business is affected by the spending patterns of our customers and adverse weather conditions, exposing us to variable quarterly results.

Our revenues are primarily driven by the spending patterns of our customers, which can vary significantly from period to period, as well as seasonal variations. These variations are influenced by weather, hours of daylight, available system outages from utilities, bidding seasons and holidays and can have a significant impact on our gross margins.

Most of our work is performed outdoors and as a result, our results of operations can be adversely impacted by extended periods of inclement weather. Any weather related delays in the completion of, or which increase the cost of, our projects could adversely affect our revenue and results of operations in any one or more of our reporting periods.

An adverse change in economic conditions in the electric utility industry could reduce the demand for our services.

Because a substantial portion of our electrical construction work is performed for customers in the electric utility industry, an adverse change in economic conditions in the electric utility industry could impair the financial condition of many of our customers, which could cause them to reduce their capital expenditures and demand for our services.

Skilled labor shortages and increased labor costs could negatively affect our ability to compete for new projects.

In our electrical construction business, we have from time to time experienced shortages of certain types of qualified personnel. The commencement of new, large-scale infrastructure projects, increased demand for infrastructure improvements, and the aging utility workforce also deplete the pool of skilled labor available to us, even if we are not awarded such projects. As a result of these factors, the supply of experienced linemen and supervisors may not be sufficient to meet our expected demand and we may not be able to allocate or hire a sufficient number of project managers for new electrical construction projects. We may also spend considerable resources training employees who may then be hired by our competitors, forcing us to spend additional funds to attract personnel to fill those positions. If we were unable to retain sufficient qualified personnel at a reasonable cost, or at all, we would be unable to staff new and existing projects, which would reduce our revenue and profits.

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

As discussed in Critical Accounting Estimates and in the notes to our consolidated financial statements included herein, a significant portion of our revenue in our electrical construction operations is recognized on a percentage-of-completion method of accounting, using the cost-to-cost method, which is standard for fixed price contracts. For the percentage-of-completion accounting practice, we recognize contract revenue and earnings ratably over the contract term in proportion to our incurrence of contract costs. The earnings or losses recognized on individual contracts are based on estimates of contract revenue, costs and profitability. The cost of labor and materials, however, may vary from the costs we originally estimated. These variations,

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along with other risks inherent in performing fixed price contracts, may cause actual revenue and gross profit for a project to differ from those we originally estimated and could result in reduced profitability or losses on projects. Depending upon the size of a particular project, variations from the estimated contract costs could have a significant impact on our operating results for any fiscal quarter or year.

We possess a significant amount of accounts receivable and costs and estimated earnings in excess of billings assets. We extend credit to our customers as a result of performing work under contract prior to billing our customers for that work. These customers mainly include gas and electric utilities and telecommunication companies. As of December 31, 2013, we had net accounts receivable of \$14.2 million and costs and estimated earnings in excess of billings of \$5.0 million. We periodically assess the credit risk of our customers and continuously monitor the timeliness of payments. Slowdowns in the industries we serve may impair the financial condition of one or more of our customers and hinder their ability to pay us on a timely basis or at all. Furthermore, bankruptcies or financial difficulties within the telecommunications sector could hinder the ability of our customers to pay us on a timely basis or at all. The failure or delay in payment by our customers could reduce our cash flows and adversely impact our liquidity and profitability.

Amounts included in our backlog may not result in revenue or translate into profits.

Backlog for our electrical construction operations as of December 31, 2013 was \$74.5 million, which represents the amount of revenue that we expect to realize from work to be performed on uncompleted contracts, including new contractual agreements on which work has not begun. This revenue is not guaranteed, however, as many of our customers may cancel their contracts with us on short notice (typically 30-90 days), even if we are not in default under the contract. In addition, \$53.3 million of the backlog is attributable to MSAs. We determine the estimated amount of backlog for work under MSAs by using recurring historical trends inherent in current MSAs and projected customer needs based upon ongoing communications with the customer. Typically, these service agreements do not require our customers to purchase a minimum amount of services and are cancelable on short notice. To the extent that our customers cancel their contracts with us or reduce their requirements during a particular period for any reason, we will not realize revenue or profit from the associated backlog. Furthermore, contracts included in our backlog may not be profitable. We may experience variances in the realization of our backlog because of project delays or cancellations resulting from weather conditions, external market factors and economic factors beyond our control. As a result, even if we realize all of the revenue from the projects in our backlog, if our expenses associated with these projects are higher than expected, our results of operations and financial condition would be adversely affected.

Our projects are subject to numerous hazards. If we do not maintain an adequate safety record, we may be ineligible to bid on certain projects, could be terminated from existing projects and could have difficulty procuring adequate insurance.

Hazards experienced as a result of our electric construction operations include electrocutions, fires, mechanical failure and transportation accidents. These hazards can cause and have caused personal injury and loss of life, severe damage to or destruction of property and equipment, and other consequential damages, including blackouts, and may result in suspension of our operations on a project, large damage claims, and, in extreme cases, criminal liability. At any given time, we are subject to workers' compensation claims and claims by employees, customers and third parties for property damage, loss of life and personal injuries resulting from such hazards or other workplace accidents. Further, regulatory changes implemented by the Occupational Safety and Health Administration could impose additional costs on us. Notwithstanding our investment of substantial resources in occupational health and safety programs, our industry involves a high degree of operational risk and we may be unable to avoid accidents resulting from the hazards described above and the associated liability exposure, which may be significant. Furthermore, if serious accidents or fatalities were to occur or if our safety record were to deteriorate, we could become ineligible to bid on certain projects and could be terminated from existing projects, our reputation and our prospects for future projects could be negatively affected, and we could be required to expend additional resources on health and safety programs. In addition, if our safety record were to significantly deteriorate, it would become more difficult and expensive for us to procure adequate insurance.

An inability to obtain bonding would have a negative impact on our operations and results.

In certain circumstances, we are required to provide performance bonds to secure our contractual commitments. Although to date we have not experienced difficulty in obtaining bonding, if we were unable to obtain surety bonds in the future, or were required to post collateral in order to obtain surety bonds, our ability to obtain new contracts would be adversely affected, which could have a material adverse effect on our results of operations and financial condition. Increases in the cost of fuel could have a negative impact on our operating margins.

The price of fuel needed to operate our vehicles and equipment is difficult to predict and changes based on events and factors outside of our control, including, among others, the supply and demand for oil and gas, war and civil unrest in oil producing countries, political developments and environmental concerns. As a general matter, our fixed price contracts do not permit us to pass through additional costs associated with increases in fuel prices to our customers. As a result, increases in the cost of fuel could have a material adverse effect on our profitability.

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Delays in the receipt of materials could result in delays in the performance of our services.

Fiber optic cable suppliers have experienced and could further experience delays in the delivery of materials. While there have not been significant delays to date, future delays could adversely affect the timing of the construction and maintenance services we provide to our customers.

Our capital expenditures may fluctuate as a result of changes in business requirements.

Our anticipated capital expenditure requirements may vary from time to time as a result of changes in our business.

Increased capital expenditures will use cash flow and may increase our borrowing costs if cash for capital expenditures is not available from operations.

We may be unable to secure sufficient independent subcontractors to fulfill our obligations, or our independent subcontractors may fail to satisfy their obligations.

We utilize independent subcontractors to complete work on a portion of our projects. If we are unable to secure independent subcontractors at a reasonable cost or at all, we may be delayed in completing work under a contract or the cost of completing the work may increase. In addition, we may have disputes with these independent subcontractors arising from, among other things, the quality and timeliness of the work they performed. Any of these factors could adversely affect the quality of our service, our ability to perform under certain contracts and the relationship with our customers, which could have an adverse effect on our results of operations, cash flows and liquidity.

Our failure to properly manage projects, or project delays, may result in additional costs or claims, which could have a material adverse effect on our operating results, cash flows and liquidity.

Certain of our engagements involve large-scale, complex projects. The quality of our performance on such a project depends in large part upon our ability to manage our client relationship and the project itself and to timely deploy appropriate resources, including third-party contractors and our own personnel. Our results of operations, cash flows and liquidity could be adversely affected if we miscalculate the resources or time needed to complete a project with capped or fixed fees, or the resources or time needed to meet contractual milestones. Additionally, delays on a particular project, including permitting delays, may cause us to incur costs for standby pay, and may lead to personnel shortages on other projects scheduled to commence at a later date. In addition, some of our agreements require that we share in cost overages or pay liquidated damages if we do not meet project deadlines; therefore, any failure to properly estimate or manage cost, or delay in completion of projects, could subject us to penalties, which could adversely affect our results of operations, cash flows and liquidity. Further, any defects or errors, or failures to meet our customers' expectations could result in large damage claims against us, and because of the substantial cost of, and potentially long lead-times necessary to acquire certain of the materials and equipment used in our more complex projects, damage claims may substantially exceed the amount we can charge for our associated services.

Our business may be affected by difficult work sites and environments, which could cause delays and increase our costs.

We perform work under a variety of conditions, including, but not limited to, difficult and hard to reach terrain and difficult site conditions. Performing work under such conditions can result in project delays or cancellations, potentially causing us to incur additional, unanticipated costs, reductions in revenues or the payment of liquidated damages. In addition, some of our contracts require that we assume the risk should actual site conditions vary from those expected.

Legislative actions and incentives relating to electric power and renewable energy may fail to result in increased demand for our services.

While we believe the Energy Policy Act of 2005 (the "Energy Act") will provide opportunities in the industries we serve, implementation of the Energy Act is still subject to considerable fiscal and regulatory uncertainty. Regulations implementing the components of the Energy Act that may affect demand for our services remain, in some cases, subject to review in various federal courts. In one such case, decided in February 2009, a federal court of appeals vacated the Federal Energy Regulatory Commission ("FERC") interpretation of the scope of its backstop siting authority. Accordingly, the effect of these regulations, once finally implemented, is uncertain. As a result, the Energy Act may not result in increased spending on electric power transmission infrastructure. Continued uncertainty regarding the implementation of the Energy Act may result in slower than anticipated growth in demand for our

services.

Our unionized workforce and related obligations could adversely affect our operations.

Certain of our employees are represented by labor unions and collective bargaining agreements. Although all such collective bargaining agreements prohibit strikes and work stoppages, we cannot be certain that strikes or work stoppages will not occur despite the terms of these agreements. Strikes or work stoppages would adversely impact relationships with our customers and could cause us to lose business and decrease our revenue. Additionally, as current agreements expire, the labor unions may not be able to negotiate extensions or replacements on terms favorable to their members, or at all, or avoid strikes, lockouts or other labor actions from time to time that may affect their members. Therefore, it cannot be assured that new agreements will be



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reached with employee labor unions as existing contracts expire, or on terms that we find desirable. Any labor action against us relating to failure to reach an agreement with employee labor unions could have a material adverse effect on our liquidity, cash flows and results of operations.

We may be required to contribute cash to meet our underfunded obligations in certain multi-employer pension plans. Our collective bargaining agreements generally require us to participate with other companies in multi-employer pension plans. To the extent those plans are underfunded, the Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, may subject us to substantial liabilities under those plans if we withdraw from them or they are terminated or experience a mass withdrawal.

In addition, the Pension Protection Act of 2006 added special funding and operational rules generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as “endangered,” “seriously endangered,” or “critical” status. Plans in these classifications must adopt measures to improve their funded status through a funding improvement or rehabilitation plan, which may require additional contributions from employers (which may take the form of a surcharge on benefit contributions) and/or modifications to retiree benefits. A number of multi-employer plans to which we contribute or may contribute in the future are in “endangered,” “seriously endangered” or “critical” status. The amount of additional funds we may be obligated to contribute to these plans in the future cannot be estimated, as such amounts will likely be based on future work that requires the specific use of union employees covered by these plans, and the amount of that future work and the number of employees that may be affected cannot reasonably be estimated. Our performance of a significant amount of future services in areas that require us to utilize unionized employees covered by these affected plans, or a deterioration in the funding status of any of the plans to which our operating units contribute, could require significant additional contributions, which could detrimentally affect our results of operations, financial condition or cash flows if we are not able to adequately mitigate these costs.

Climate change risks.

We cannot predict with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. The potential physical impacts of climate change on our operations are highly uncertain. Climate change may result in, among other things, changing rainfall patterns, changing storm patterns and intensities and changing temperature levels. Because our operating results are significantly influenced by weather, substantial changes in historical weather patterns could significantly impact our future operating results. For example, if climate change results in a greater amount of rainfall, snow, ice or other less accommodating weather over a greater period of time in a given period, we could experience reduced productivity, which could negatively impact our revenue and gross margins.

Environmental risks.

We are subject to numerous federal, state, local and environmental laws and regulations governing our operations, including the handling, transportation and disposal of non-hazardous and hazardous substances and wastes, as well as emissions and discharges into the environment, including discharges to air, surface water and groundwater and soil. We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment. Under some of these laws and regulations, such liabilities can be imposed for cleanup of previously operated properties regardless of whether we directly caused the contamination or violated any law at the time. The presence of any contamination from substances or wastes could int