Willbros Group, Inc.\NEW\
Form 10-Q
July 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

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 1-34259
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer ¨ Accelerated Filer ý
Non-Accelerated Filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The number of shares of the registrant's Common Stock, $.05 par value, outstanding as of July 27, 2016 was 62,616,703.

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FORM 10-Q
FOR QUARTER ENDED JUNE 30, 2016

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PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$48,726	$ 58,832
Accounts receivable, net	141,904	149,753
Contract cost and recognized income not yet billed	19,742	20,451
Prepaid expenses and other current assets	21,979	19,610
Parts and supplies inventories	1,648	1,383
Assets held for sale	86	3,774
Current assets associated with discontinued operations	2,183	1,247
Total current assets	236,268	255,050
Property, plant and equipment, net	43,940	50,352
Intangible assets, net	81,985	86,862
Restricted cash	41,385	35,212
Other long-term assets	12,886	14,101
Total assets	$416,464	$ 441,577
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$108,066	$ 107,709
Contract billings in excess of cost and recognized income	11,181	9,892
Current portion of capital lease obligations	33	469
Notes payable and current portion of long-term debt	870	2,656
Accrued income taxes	2,059	3,108
Other current liabilities	6,046	6,759
Current liabilities associated with discontinued operations	2,570	4,027
Total current liabilities	130,825	134,620
Long-term debt	89,686	92,498
Deferred income taxes	537	120
Other long-term liabilities	33,880	35,516
Long-term liabilities associated with discontinued operations	1,212	1,423
Total liabilities	256,140	264,177
Contingencies and commitments (Note 12)		
Stockholders' equity:		
Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued	—	—
Common stock, par value $.05 per share, 105,000,000 shares authorized and 64,605,135 shares issued at June 30, 2016 (63,918,220 at December 31, 2015)	3,222	3,188
Additional paid-in capital	747,581	745,214
Accumulated deficit	(571,832)	(550,262)
Treasury stock at cost, 1,968,080 shares at June 30, 2016 (1,828,586 at December 31, 2015)	(15,082)	(14,731)
Accumulated other comprehensive loss	(3,565)	(6,009)
Total stockholders' equity	160,324	177,400
Total liabilities and stockholders' equity	$416,464	$ 441,577

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Contract revenue	$193,442	$218,789	$392,472	$469,143
Operating expenses:				
Contract costs	178,285	207,211	363,516	449,715
Amortization of intangibles	2,439	2,471	4,877	4,942
General and administrative	14,520	18,827	31,654	42,481
Other charges	939	3,318	4,627	6,328
	196,183	231,827	404,674	503,466
Operating loss	(2,741)	(13,038)	(12,202)	(34,323)
Non-operating income (expense):				
Interest expense	(3,302)	(6,543)	(6,869)	(14,851)
Interest income	411	11	431	22
Debt covenant suspension and extinguishment charges	—	(312)	(63)	(36,181)
Other, net	58	(38)	(2)	(135)
	(2,833)	(6,882)	(6,503)	(51,145)
Loss from continuing operations before income taxes	(5,574)	(19,920)	(18,705)	(85,468)
Provision (benefit) for income taxes	187	(517)	354	(21,121)
Loss from continuing operations	(5,761)	(19,403)	(19,059)	(64,347)
Income (loss) from discontinued operations net of provision for income taxes	(658)	517	(2,511)	35,637
Net loss	$(6,419)	$(18,886)	$(21,570)	$(28,710)
Basic income (loss) per share attributable to Company shareholders:				
Loss from continuing operations	$(0.09)	$(0.33)	$(0.31)	$(1.17)
Income (loss) from discontinued operations	(0.01)	0.01	(0.04)	0.65
Net loss	$(0.10)	$(0.32)	$(0.35)	$(0.52)
Diluted income (loss) per share attributable to Company shareholders:				
Loss from continuing operations	$(0.09)	$(0.33)	$(0.31)	$(1.17)
Income (loss) from discontinued operations	(0.01)	0.01	(0.04)	0.65
Net loss	$(0.10)	$(0.32)	$(0.35)	$(0.52)
Weighted average number of common shares outstanding:				
Basic	61,299,334	60,227,495	61,064,935	55,052,192
Diluted	61,299,334	60,227,495	61,064,935	55,052,192

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	$(6,419)	$(18,886)	$(21,570)	$(28,710)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(10)	1,447	1,768	(3,204)
Changes in derivative financial instruments	271	357	676	(133)
Total other comprehensive income (loss), net of tax	261	1,804	2,444	(3,337)
Total comprehensive loss	$(6,158)	$(17,082)	$(19,126)	$(32,047)

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities:		
Net loss	$(21,570)	$(28,710)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
(Income) loss from discontinued operations	2,511	(35,637)
Depreciation and amortization	11,309	14,594
Debt covenant suspension and extinguishment charges	63	36,181
Stock-based compensation	2,401	3,053
Amortization of debt issuance costs	362	311
Non-cash interest expense	1,133	—
Provision (benefit) for deferred income taxes	344	(114)
Gain on disposal of property and equipment	(3,057)	(838)
Loss on sale of subsidiary	123	—
Provision for bad debts	40	83
Changes in operating assets and liabilities:		
Accounts receivable, net	5,064	80,748
Contract cost and recognized income not yet billed	836	14,522
Prepaid expenses and other current assets	(2,286)	(4,509)
Accounts payable and accrued liabilities	(382)	(32,958)
Accrued income taxes	(1,084)	(2,441)
Contract billings in excess of cost and recognized income	1,258	(1,910)
Other assets and liabilities, net	(108)	(430)
Cash provided by (used in) operating activities from continuing operations	(3,043)	41,945
Cash used in operating activities from discontinued operations	(6,622)	(25,770)
Cash provided by (used in) operating activities	(9,665)	16,175
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	5,049	6,387
Proceeds from sale of subsidiaries	7,775	97,344
Purchases of property, plant and equipment	(1,900)	(1,424)
Changes in restricted cash	(6,173)	—
Cash provided by investing activities from continuing operations	4,751	102,307
Cash used in investing activities from discontinued operations	—	(645)
Cash provided by investing activities	4,751	101,662
Cash flows from financing activities:		
Proceeds from revolver and notes payable	287	30,718
Payments on capital leases	(436)	(442)
Payments of revolver and notes payable	(186)	(30,466)
Payments on term loan facility	(3,128)	(79,674)
Cost of debt issuance	(2,306)	(556)
Payments to reacquire common stock	(351)	(358)
Cash used in financing activities from continuing operations	(6,120)	(80,778)
Cash provided by financing activities from discontinued operations	—	8,312
Cash used in financing activities	(6,120)	(72,466)

Effect of exchange rate changes on cash and cash equivalents	928	(411)
Net increase (decrease) in cash and cash equivalents	(10,106)	44,960
Cash and cash equivalents of continuing operations at beginning of period	58,832	22,565
Cash and cash equivalents of discontinued operations at beginning of period	—	708
Cash and cash equivalents at beginning of period	58,832	23,273
Cash and cash equivalents at end of period	48,726	68,233
Less: cash and cash equivalents of discontinued operations at end of period	—	388
Cash and cash equivalents of continuing operations at end of period	$48,726	$67,845
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	$3,800	$15,078
Cash paid for income taxes (including discontinued operations)	$1,156	$2,951

See accompanying notes to condensed consolidated financial statements.

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

1. Company and Organization

Willbros Group, Inc., a Delaware corporation, and its subsidiaries (the “Company,” “Willbros” or “WGI”), is a specialty energy infrastructure contractor serving the oil and gas and power industries with offerings that primarily include construction, maintenance and facilities development services. The Company’s principal markets for continuing operations are the United States and Canada. The Company obtains its work through competitive bidding and 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 Company has three operating segments: Oil & Gas, Utility T&D and Canada. The Company's segments are comprised of strategic businesses that are defined by the industries or geographic regions they serve. Each is managed as an operation with well established strategic directions and performance requirements.

Management evaluates the performance of each operating segment based on operating income. To support the segments, the Company has a focused corporate operation led by the executive management team, which, in addition to oversight and leadership, provides general, administrative and financing functions for the organization. The costs to provide these services are allocated, as are certain other corporate costs, to the three operating segments.

2. Basis of Presentation

Condensed Consolidated Financial Information

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2015, which has been derived from audited Consolidated Financial Statements, and the unaudited Condensed Consolidated Financial Statements as of June 30, 2016 and 2015, 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 U.S. generally accepted accounting principles (“GAAP”) 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, 2015 audited Consolidated Financial Statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all recurring adjustments necessary to fairly state the financial position as of June 30, 2016, 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 six months ended June 30, 2016 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

Use of Estimates and Assumptions

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, 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.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications primarily relate to the presentation of the 2015 sale of the Company's Professional Services segment including the Company's previously sold subsidiaries, Willbros Engineers, LLC and Willbros Heater Services, LLC ("Downstream Professional Services"), Premier Utility Services, LLC ("Premier") and UtilX Corporation ("UtilX") as discontinued operations. For additional information, see Note 15 - Discontinued Operations.

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

3. New Accounting Standards

Recently Adopted Accounting Standards
In November 2015, the Financial Accounting Standards Board "FASB") issued Accounting Standards Update ("ASU") 2015-17, which requires deferred tax assets and liabilities, as well as related valuation allowances, to be classified as non-current. ASU 2015-17 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted as of the beginning of an interim or annual period. The Company adopted ASU 2015-17 in the first quarter of 2016 and applied the standard retroactively for all periods presented. As a result of this adoption, current deferred taxes and non-current deferred taxes decreased $2.3 million at December 31, 2015 in the Company's Condensed Consolidated Balance Sheet.
In April 2015, the FASB issued ASU 2015-03 which changes the presentation of debt issuance costs with the requirement that debt issuance costs related to a debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016. The Company adopted ASU 2015-03 in the first quarter of 2016 and applied the standard retroactively for all periods presented. The application of the standard did not have a material impact on the Company's Condensed Consolidated Balance Sheet.
Accounting Standards Not Yet Adopted
In March 2016, the FASB issued ASU 2016-09 that changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The standard is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods with early adoption permitted. The Company is assessing the impact of the standard on its Condensed Consolidated Financial Statements.
In February 2016, the FASB issued ASU 2016-02 that requires companies that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those assets. The standard is effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted for financial statements of fiscal years or interim periods that have not been previously issued. The Company is assessing the impact of the standard on its Condensed Consolidated Financial Statements.
In May 2014, the FASB and the IASB issued ASU 2014-09 surrounding the recognition of revenue from contracts with customers. Under the new standard, a company will recognize revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. Revenue will be recognized at an amount that reflects the consideration it expects to receive in exchange for those goods and services. The standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB deferred the effective date of the standard to December 15, 2017 with early adoption permitted. The standard can be applied on a full retrospective or modified retrospective basis whereby the entity records a cumulative effect of initially applying this update at the date of initial application. Furthermore, in March, April, and May of 2016, the FASB issued ASUs 2016-08, 2016-10, and 2016-12, respectively, which provide practical expedients and clarification in regards to ASU 2014-09. ASU 2016-08 amends and clarifies the principal versus agent considerations under the new revenue recognition standard, which requires determination of whether the nature of a promise is to provide the specified good or service to the customer (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by another party (that is, the entity is an agent); this determination affects the timing and amount of revenue recognition. ASU 2016-10 clarifies issues related to identifying performance obligations. ASU 2016-12 provides practical expedients and clarification pertaining to the exclusion of sales tax from the measurement of a transaction price, the measurement of non-cash consideration,

allocation of a transaction price on the basis of all satisfied and unsatisfied performance obligations in a modified contract at transition, and the definition of a completed contract. The effective date of ASUs 2016-08, 2016-10, and 2016-12 is December 15, 2017 with early adoption permitted. The Company is still assessing the impact of these standards on its Condensed Consolidated Financial Statements and will adopt this guidance effective January 1, 2018.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
4. Contracts in Progress

Contract cost and recognized income not yet billed on uncompleted contracts arise when recorded revenues for a contract exceed the amounts 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 the lesser of the expected revenue or cost incurred when realization of price approval is probable. Estimating revenues from unapproved change orders involves 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, a reduction in revenues may be required to amounts that have been previously recorded.
Contract cost and recognized income not yet billed and related amounts billed as of June 30, 2016 and December 31, 2015 was as follows (in thousands):

	June 30, 2016	December 31, 2015
Cost incurred on contracts in progress	$283,585	$ 567,144
Recognized income	37,810	50,812
	321,395	617,956
Progress billings and advance payments	(312,834)	(607,397)
	$8,561	$ 10,559
Contract cost and recognized income not yet billed	$19,742	$ 20,451
Contract billings in excess of cost and recognized income	(11,181)	(9,892)
	$8,561	$ 10,559

Contract cost and recognized income not yet billed includes $0.9 million and $0.8 million at June 30, 2016 and December 31, 2015, respectively, on completed contracts.
The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally 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 retainage balances at each balance sheet date are expected to be collected within the next 12 months. Current retainage balances at June 30, 2016 and December 31, 2015, were approximately $23.4 million and $25.3 million, respectively, and are included in “Accounts receivable, net” in the Condensed Consolidated Balance Sheets. There were no retainage balances with settlement dates beyond the next 12 months at June 30, 2016 and December 31, 2015.
5. Intangible Assets
The Company's intangible assets with finite lives include customer relationships and trade names and are predominantly within the Utility T&D segment. The changes in the carrying amounts of intangible assets for the six months ended June 30, 2016 are detailed below (in thousands):

	Customer Relationships	Trademark / Tradename	Total
Balance as of December 31, 2015	$ 82,044	$ 4,818	$86,862
Amortization	(4,342)	(535)	(4,877)
Balance as of June 30, 2016	$ 77,702	$ 4,283	$81,985
Weighted average remaining amortization period	9.0 years	4.0 years	

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

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

5. Intangible Assets (continued)

Estimated amortization expense for the remainder of 2016 and each of the subsequent five years and thereafter is as follows (in thousands):

Fiscal year:	
Remainder of 2016	$4,877
2017	9,754
2018	9,754
2019	9,754
2020	9,135
2021	8,597
Thereafter	30,114
Total amortization	$81,985

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2016 and December 31, 2015 were as follows (in thousands):

	June 30, 2016	December 31, 2015
Trade accounts payable	$45,379	$ 48,501
Payroll and payroll liabilities	17,527	14,914
Accrued contract costs	18,418	17,571
Self-insurance accrual	12,392	12,128
Other accrued liabilities	14,350	14,595
Total accounts payable and accrued liabilities	$108,066	$ 107,709

7. Long-term Debt

Long-term debt as of June 30, 2016 and December 31, 2015 was as follows (in thousands):

	June 30, 2016	December 31, 2015
2014 Term Loan Facility, net of unamortized discount and debt issuance costs of $6,030 and $4,459	$90,455	$ 95,154
Revolver borrowings	—	—
Capital lease obligations	33	469
Other obligations	101	—
Total debt	90,589	95,623
Less: current portion	(903)	(3,125)
Long-term debt, net	$89,686	$ 92,498

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

7. Long-term Debt (continued)

2014 Term Loan Facility
On December 15, 2014, the Company entered into a credit agreement (the “2014 Term Credit Agreement”) among the Company, certain of its subsidiaries, as guarantors, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and KKR Credit Advisors (US) LLC, as sole lead arranger and sole bookrunner. Cortland Capital Market Services LLC serves as administrative agent under the 2014 Term Credit Agreement.
The 2014 Term Credit Agreement provides for a five-year $270.0 million term loan facility (the “2014 Term Loan Facility”), which the Company drew in full on the effective date of the 2014 Term Credit Agreement. The Company is the borrower under the 2014 Term Credit Agreement, with all of its obligations guaranteed by its material U.S. subsidiaries, other than excluded subsidiaries. Obligations under the 2014 Term Loan Facility are secured by a first priority security interest in, among other things, the borrower’s and the guarantors’ equipment, subsidiary capital stock and intellectual property (the “2014 Term Loan Priority Collateral”) and a second priority security interest in, among other things, the borrower’s and the guarantors’ inventory, accounts receivable, deposit accounts and similar assets.
The term loans bear interest at the “Adjusted Base Rate” plus an applicable margin of 8.75 percent, or the “Eurodollar Rate” plus an applicable margin of 9.75 percent. The interest rate in effect at June 30, 2016 and December 31, 2015 was 11 percent, comprised of an applicable margin of 9.75 percent for Eurodollar rate loans plus a LIBOR floor of 1.25 percent.
The Company made early payments of $3.1 million and $78.3 million against its 2014 Term Loan Facility during the six months ended June 30, 2016 and 2015, respectively. As a result of these early payments, the Company recorded debt extinguishment charges of $0.1 million and $1.9 million, respectively, which consisted of prepayment fees of 2 percent and the write-off of debt issuance costs.
Since December 31, 2014, the Company has significantly reduced the balance under the 2014 Term Loan Facility. Under the provisions of the 2014 Term Credit Agreement, with respect to prepayments made from inception of the Term Loan through June 30, 2016, the Company has not been required to pay prepayment premiums in respect of the “makewhole amount.” However, future prepayments or refinancing of the balance of the 2014 Term Loan Facility will, in most cases, require the Company to pay a prepayment premium equal to the makewhole amount. The makewhole amount is calculated as the present value of all interest payments that would have been made on the amount prepaid from the date of the prepayment to December 15, 2019 (or June 15, 2019 if the prepayment is made on or after June 15, 2018) at a rate per annum equal to the sum of 9.75 percent plus the greater of 1.25 percent and the Eurodollar rate in effect on the date of the repayment.
2013 ABL Credit Facility
On August 7, 2013, the Company entered into five-year asset based senior revolving credit facility maturing on August 7, 2018 with Bank of America, N.A. serving as sole administrative agent for the lenders thereunder, collateral agent, issuing bank and swingline lender (as amended, the “2013 ABL Credit Facility”).
The aggregate amount of commitments for the 2013 ABL Credit Facility is currently comprised of $80.0 million for the U.S. facility (the “U.S. Facility”) and $20.0 million for the Canadian facility (the “Canadian Facility”). The 2013 ABL Credit Facility includes a sublimit of $80.0 million for letters of credit. The borrowers under the U.S. Facility consist of all of the Company’s U.S. operating subsidiaries with assets included in the borrowing base, and the U.S. Facility is guaranteed by Willbros Group, Inc. and its material U.S. subsidiaries, other than excluded subsidiaries. The borrower under the Canadian Facility is Willbros Construction Services (Canada) LP, and the Canadian Facility is guaranteed by Willbros Group, Inc. and all of its material U.S. and Canadian subsidiaries, other than excluded subsidiaries. Advances under the U.S. and Canadian Facilities are limited to a borrowing base consisting of the sum of the following, less applicable reserves:

- 85 percent of the value of "eligible accounts";
- the lesser of (i) 75 percent of the value of "eligible unbilled accounts" and (ii) $33.0 million minus the amount of eligible unbilled accounts then included in the borrowing base; and
- "eligible pledged cash".

The Company is also required, as part of its borrowing base calculation, to include a minimum of $25.0 million of the net proceeds of the sale of Bemis, LLC and the balance of the Professional Services segment as eligible pledged cash. The Company has included $40.0 million as eligible pledged cash (collateralized for a portion of its letters of credit) in its June 30,

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7. Long-term Debt (continued)

2016 borrowing base calculation, which is included in the line item "Restricted cash" on the Consolidated Balance Sheet.

The aggregate amount of the borrowing base that is attributable to eligible accounts and eligible unbilled accounts constituting certain progress or milestone billings, retainage and other performance-based benchmarks may not exceed $23.0 million.

Advances in U.S. dollars bear interest at a rate equal to LIBOR or the U.S. or Canadian base rate plus an additional margin. Advances in Canadian dollars bear interest at the Bankers Acceptance ("BA") Equivalent Rate or the Canadian prime rate plus an additional margin.

The interest rate margins will be adjusted each quarter based on the Company’s fixed charge coverage ratio as of the end of the previous quarter as follows:

Fixed Charge Coverage Ratio	U.S. Base Rate, Canadian Base Rate and Canadian Prime Rate Loans	LIBOR Loans, BA Rate Loans and Letter of Credit Fees
>1.25 to 1	1.25%	2.25%
<1.25 to 1 and >1.15 to 1	1.50%	2.50%
<1.15 to 1	1.75%	2.75%

The borrowers will also pay an unused line fee on each of the U.S. and Canadian Facilities equal to 50 basis points when usage under the applicable facility during the preceding calendar month is less than 50 percent of the commitments or 37.5 basis points when usage under the applicable facility equals or exceeds 50 percent of the commitments for such period. With respect to the letters of credit, the borrowers will pay a letter of credit fee equal to the applicable LIBOR margin, shown in the table above, on all letters of credit, and a 0.125 percent fronting fee to the issuing bank, in each case, payable monthly in arrears.

Obligations under the 2013 ABL Credit Facility are secured by a first priority security interest in the borrowers’ and guarantors’ accounts receivable, deposit accounts and similar assets (the “ABL Priority Collateral”) and a second priority security interest in the 2014 Term Loan Priority Collateral.

Debt Covenants and Events of Default

A default under the 2014 Term Loan Facility and the 2013 ABL Credit Facility may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of $15.0 million, a change of control of the Company and certain insolvency proceedings. A default under the 2013 ABL Credit Facility would permit 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. A default under the 2014 Term Loan Facility would permit the lenders to require immediate repayment of all principal, interest, fees and other amounts payable thereunder.

On March 31, 2015, (the "First Amendment Closing Date"), March 1, 2016, and July 26, 2016, the Company amended the 2014 Term Credit Agreement pursuant to a First Amendment (the "First Amendment"), a Third Amendment (the "Third Amendment") and a Fourth Amendment (the “Fourth Amendment”). These amendments, among other things, suspended the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio for the period from December 31, 2014 through December 31, 2016 (the "Covenant Suspension Periods") and provided that any failure by the Company to comply with the Maximum Total Leverage Ratio or Minimum Interest Coverage Ratio during the Covenant Suspension Periods shall not be deemed to result in a default or event of default.

In consideration of the initial suspension of the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio under the First Amendment, the Company issued 10.1 million shares, which was equivalent to 19.9 percent of the outstanding shares of common stock immediately prior to the First Amendment Closing Date, to KKR Lending Partners II L.P. and other entities indirectly advised by KKR Credit Advisers (US) LLC. In connection with this transaction, the Company recorded debt covenant suspension charges of approximately $33.5 million which represented the fair value of the 10.1 million outstanding shares of common stock issued, multiplied by the closing stock price on the First Amendment Closing Date. In

7. Long-term Debt (continued)

addition, the Company recorded debt extinguishment charges of approximately $0.8 million related to the write-off of debt issuance costs associated with the Company's 2014 Term Credit Agreement.
In consideration for the Third Amendment, the Company paid an amendment fee of approximately $2.3 million in the first quarter of 2016. The amendment fee is recorded as a direct deduction from the carrying amount of the 2014 Term Loan Facility in accordance with ASU 2015-03, which the Company retroactively adopted effective January 1, 2016. The Company is amortizing the amendment fee through the maturity date of the 2014 Term Loan Facility, using the effective interest method.
Under the Fourth Amendment, the Maximum Total Leverage Ratio will be 6.00 to 1.00 as of March 31, 2017 and will decrease to 5.00 to 1.00 as of June 30, 2017, 3.50 to 1.00 as of September 30, 2017 and December 31, 2017 and 3.00 to 1.00 as of March 31, 2018 and thereafter. The Minimum Interest Coverage Ratio will be 1.50 to 1.00 as of March 31, 2017 and will increase to 1.75 to 1.00 as of June 30, 2017, 2.50 to 1.00 as of September 30, 2017 and December 31, 2017 and 2.75 to 1.00 as of March 31, 2018 and thereafter. In consideration for the Fourth Amendment, the Company paid an amendment fee of approximately $2.3 million in the third quarter of 2016.
On September 28, 2015, the Company further amended the 2014 Term Credit Agreement, pursuant to a Second Amendment (the "Second Amendment"). The Second Amendment permits discrete asset sales by the Company and its subsidiaries, including the sale of the Company's Professional Services segment, which was finalized on November 30, 2015.
The Company is also required to pay a repayment fee on the maturity date of the 2014 Term Loan Facility equal to 5.0 percent of the aggregate principal amount outstanding on the maturity date. The repayment fee was contingent upon the sale of the Company's Professional Services segment, which was completed on November 30, 2015. As a result, the Company is amortizing the repayment fee as a discount, from that date through the maturity date of the 2014 Term Loan Facility, using the effective interest method. The unamortized amount of the repayment fee is $3.7 million and $4.3 million at June 30, 2016 and December 31, 2015, respectively.
The Company's primary sources of funds are its cash on hand, cash flow from operations and borrowings under the 2013 ABL Credit Facility. Based on current forecasts, through a combination of these sources, as well as the covenant relief included in the Fourth Amendment, the Company expects to have sufficient liquidity and capital resources to meet its obligations for at least the next twelve months. However, the Company can make no assurance regarding its ability to achieve its forecasts.
As of June 30, 2016, the Company did not have any outstanding revolver borrowings. The Company's unused availability under its June 30, 2016 borrowing base certificate was $50.8 million on a borrowing base of $57.8 million and outstanding letters of credit of $47.0 million, of which $40.0 million was cash collateralized. If the Company’s unused availability under the 2013 ABL Credit Facility is less than the greater of (i) 15.0 percent of the revolving commitments or $15.0 million for five consecutive days, or (ii) 12.5 percent of the revolving commitments or $12.5 million at any time, or upon the occurrence of certain events of default under the 2013 ABL Credit Facility, the Company is subject to increased reporting requirements, the administrative agent shall have exclusive control over any deposit account, the Company will not have any right of access to, or withdrawal from, any deposit account, or any right to direct the disposition of funds in any deposit account, and amounts in any deposit account will be applied to reduce the outstanding amounts under the 2013 ABL Credit Facility. In addition, if the Company's unused availability under the 2013 ABL Credit Facility is less than the amounts described above, the Company would be required to comply with a Minimum Fixed Charge Coverage Ratio of 1.15 to 1.00. Based on its current forecasts, the Company does not expect its unused availability under the 2013 ABL Credit Facility to be less than the amounts described above and therefore does not expect the Minimum Fixed Charge Coverage Ratio to be applicable over the

next twelve months. If the Minimum Fixed Charge Coverage Ratio were to become applicable, the Company would not expect to be in compliance over the next twelve months and would therefore be in default under its credit agreements.

The 2014 Term Credit Agreement and the 2013 ABL Credit Facility also include customary representations and warranties and affirmative and negative covenants, including:

- the preparation of financial statements in accordance with GAAP;
- the identification of any events or circumstances, either individually or in the aggregate, that has had or could reasonably be expected to have a material adverse effect on the business, results of operations, properties or condition of the Company;
- limitations on liens and indebtedness;
- limitations on dividends and other payments in respect of capital stock;

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7. Long-term Debt (continued)

- limitations on capital expenditures; and
- limitations on modifications of the documentation of the 2013 ABL Credit Facility.

Fair Value of Debt

The estimated fair value of the Company’s debt instruments as of June 30, 2016 and December 31, 2015 was as follows (in thousands):

	June 30, 2016	December 31, 2015
2014 Term Loan Facility	$95,145	$ 98,044
Revolver borrowings	—	—
Capital lease obligations	33	469
Other obligations	101	—
Total fair value of debt instruments	$95,279	$ 98,513

The 2014 Term Loan Facility, revolver borrowings under the 2013 ABL Credit Facility and capital lease obligations are classified within Level 2 of the fair value hierarchy. The fair value of the 2014 Term Loan Facility has been estimated using discounted cash flow analyses based on the Company’s incremental borrowing rate for similar borrowing arrangements.

8. Income Taxes

The effective tax rate on continuing operations was a negative 1.9 percent for the six months ended June 30, 2016 and 24.7 percent for the six months ended June 30, 2015. There is no tax benefit or expense for discrete items for the six months ended June 30, 2016. Tax expense for the six months ended June 30, 2016 was $0.4 million, due to Canadian Tax and the Texas Margins Tax. The Company has reserved for the benefit of current year losses in the United States. As of June 30, 2016, U.S. federal and state deferred tax assets continue to be covered by valuation allowances. The ultimate realization of deferred tax assets is dependent upon the generation of future U.S. taxable income. The Company considers the impacts of reversing taxable temporary differences, future forecasted income and available tax planning strategies when evaluating whether deferred tax assets are more likely than not to be realized.

The effective tax rate on continuing operations was a negative 3.4 percent for the three months ended June 30, 2016 and 2.6 percent for the three months ended June 30, 2015. Tax expense for the three months ended June 30, 2016 was $0.2 million, which relates to Canadian Tax and the Texas Margins Tax.

The Company's interim tax provision has been estimated using the discrete method, which is based on statutory tax rates applied to pre-tax income as adjusted for permanent differences such as transfer pricing differences between generally accepted accounting principles and local country tax. The Company believes this method yields a more reliable income tax calculation for interim periods.

It is reasonably possible the unrecognized tax benefits may change between $0.0 million to $3.0 million within the next twelve months as a result of settling tax examinations related to 2008-2011.

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9. Stockholders' Equity

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Three Months Ended June 30, 2016 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income (loss)
Balance as of March 31, 2016	$ (187)	$ (3,639)	$ (3,826)
Other comprehensive loss before reclassifications	(10)	—	(10)
Amounts reclassified from accumulated other comprehensive income (loss)	—	271	271
Net current-period other comprehensive income (loss)	(10)	271	261
Balance as of June 30, 2016	$ (197)	$ (3,368)	$ (3,565)

	Six Months Ended June 30, 2016 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income (loss)
Balance as of December 31, 2015	$ (1,965)	$ (4,044)	$ (6,009)
Other comprehensive income before reclassifications	1,768	—	1,768
Amounts reclassified from accumulated other comprehensive income (loss)	—	676	676
Net current-period other comprehensive income	1,768	676	2,444
Balance as of June 30, 2016	$ (197)	$ (3,368)	$ (3,565)

	Three Months Ended June 30, 2015 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income (loss)
Balance as of March 31, 2015	$ 2,212	$ (4,565)	$ (2,353)
Other comprehensive income (loss) before reclassifications	1,447	(136)	1,311
Amounts reclassified from accumulated other comprehensive income (loss)	—	493	493
Net current-period other comprehensive income	1,447	357	1,804
Balance as of June 30, 2015	$ 3,659	$ (4,208)	$ (549)

	Six Months Ended June 30, 2015 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income (loss)

Balance as of December 31, 2014	$6,863	$ (4,075)	$ 2,788
Other comprehensive loss before reclassifications	(3,204)	(1,115)	(4,319)
Amounts reclassified from accumulated other comprehensive income (loss)	—	982	982
Net current-period other comprehensive loss	(3,204)	(133)	(3,337)
Balance as of June 30, 2015	$3,659	$ (4,208)	$ (549)

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9. Stockholders' Equity (continued)

Reclassifications From Accumulated Other Comprehensive Income (Loss)
Three Months Ended June 30, 2016 (in thousands)

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	$ 271	Interest expense, net
Total	$ 271	

Six Months Ended June 30, 2016 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	$ 676	Interest expense, net
Total	$ 676	

Three Months Ended June 30, 2015 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	$ 493	Interest expense, net
Total	$ 493	

Six Months Ended June 30, 2015 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Details about Accumulated Other Comprehensive Income Components
Interest rate contracts	$ 982	Interest expense, net
Total	$ 982	

10. 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 vesting of restricted stock units 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.

Basic and diluted income (loss) per common share from continuing operations is computed as follows (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss from continuing operations applicable to common shares (numerator for basic and diluted calculation)	$(5,761)	$(19,403)	$(19,059)	$(64,347)
Weighted average number of common shares outstanding for basic loss per share	61,299,334	60,227,495	61,064,935	55,052,192
Weighted average number of potentially dilutive common shares outstanding	—	—	—	—
Weighted average number of common shares outstanding for diluted loss per share	61,299,334	60,227,495	61,064,935	55,052,192
Loss per common share from continuing operations:				
Basic	$(0.09)	$(0.33)	$(0.31)	$(1.17)
Diluted	$(0.09)	$(0.33)	$(0.31)	$(1.17)

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10. Income (Loss) Per Share (continued)

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

	Three Months Ended June 30,	
	2016	2015
Stock options	50,000	227,750
Restricted stock and restricted stock units	455,054	431,687
	505,054	659,437

11. Segment Information

The following tables reflect the Company’s operations by reportable segment for the three months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30, 2016					
	Oil & Gas	Utility T&D	Canada	Unallocated Corporate Costs	Eliminations	Consolidated
Contract revenue	$54,739	$ 109,355	$29,496	$ —	$ (148)	$ 193,442
Contract costs	52,987	98,776	26,670	—	(148)	178,285
Amortization of intangibles	50	2,389	—	—	—	2,439
General and administrative	3,763	8,596	2,161	—	—	14,520
Other charges	265	99	575	—	—	939
Operating income (loss)	$(2,326)	$ (505)	$90	$ —	$ —	(2,741)
Non-operating expenses						(2,833)
Provision for income taxes						187
Loss from continuing operations						(5,761)
Loss from discontinued operations, net of provision for income taxes						(658)
Net loss						$ (6,419)

	Three Months Ended June 30, 2015					
	Oil & Gas	Utility T&D	Canada	Unallocated Corporate Costs	Eliminations	Consolidated
Contract revenue	$61,778	$ 106,439	$50,645	$ —	$ (73)	$ 218,789
Contract costs	68,439	92,883	45,962	—	(73)	207,211
Amortization of intangibles	82	2,389	—	—	—	2,471
General and administrative	6,259	6,211	4,094	2,263	—	18,827
Other charges	2,749	290	208	71	—	3,318
Operating income (loss)	$(15,751)	$ 4,666	$381	$ (2,334)	$ —	(13,038)
Non-operating expenses						(6,882)
Benefit for income taxes						(517)
Loss from continuing operations						(19,403)
Income from discontinued operations, net of provision for income taxes						517
Net loss						$ (18,886)

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11. Segment Information (continued)

	Six Months Ended June 30, 2016					
	Oil & Gas	Utility T&D	Canada	Unallocated Corporate Costs	Eliminations	Consolidated
Contract revenue	$114,074	$ 206,644	$71,988	$ —	$ (234)	$ 392,472
Contract costs	112,830	185,564	65,356	—	(234)	363,516
Amortization of intangibles	98	4,779	—	—	—	4,877
General and administrative	10,456	14,209	6,989	—	—	31,654
Other charges	2,093	1,393	1,141	—	—	4,627
Operating income (loss)	$(11,403)	$ 699	$(1,498)	$ —	$ —	(12,202)
Non-operating expenses						(6,503)
Provision for income taxes						354
Loss from continuing operations						(19,059)
Loss from discontinued operations, net of provision for income taxes						(2,511)
Net loss						$ (21,570)

	Six Months Ended June 30, 2015					
	Oil & Gas	Utility T&D	Canada	Unallocated Corporate Costs	Eliminations	Consolidated
Contract revenue	$138,218	$ 193,425	$137,654	$ —	$ (154)	$ 469,143
Contract costs	145,825	176,050	127,994	—	(154)	449,715
Amortization of intangibles	163	4,779	—	—	—	4,942
General and administrative	15,378	11,808	9,894	5,401	—	42,481
Other charges	3,578	982	900	868	—	6,328
Operating loss	$(26,726)	$ (194)	$(1,134)	$ (6,269)	$ —	(34,323)
Non-operating expenses						(51,145)
Benefit for income taxes						(21,121)
Loss from continuing operations						(64,347)
Income from discontinued operations, net of provision for income taxes						35,637
Net loss						$ (28,710)

Total assets by segment as of June 30, 2016 and December 31, 2015 are presented below (in thousands):

	June 30, 2016	December 31, 2015
Oil & Gas	$61,024	$ 78,623
Utility T&D	214,932	202,836
Canada	52,640	69,816
Corporate	85,685	89,055
Total assets, continuing operations	$414,281	$ 440,330

12. Contingencies, Commitments and Other Circumstances

Contingencies

Litigation and Regulatory Matters Related to the Company’s October 21, 2014 Press Release Announcing the Restatement of Condensed Consolidated Financial Statements for the Quarterly Period Ended June 30, 2014

After the Company announced it would be restating its Condensed Consolidated Financial Statements for the quarterly period ended June 30, 2014, a complaint was filed in the United States District Court for the Southern District of Texas (“USDC”) on October 28, 2014 seeking class action status on behalf of purchasers of the Company’s stock and alleging damages on their behalf arising from the matters that led to the restatement. The original defendants in the case were the Company, its former chief executive officer, Robert R. Harl, and its current chief financial officer. On January 30, 2015, the court named two employee retirement systems as Lead Plaintiffs. Lead Plaintiffs filed their consolidated complaint, captioned In re Willbros Group, Inc. Securities Litigation, on March 31, 2015, adding as a defendant John T. McNabb, II, the former chief executive officer who had succeeded Mr. Harl. On June 15, 2015, Lead Plaintiffs filed a second amended consolidated complaint, seeking unspecified damages and asserting violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the “Act”), based on alleged misrepresentations and omissions in SEC filings and other public disclosures in 2014, primarily regarding internal controls, the performance of the Oil & Gas segment, compliance with debt covenants and liquidity, certain financial results, and the circumstances surrounding Mr. Harl’s departure. On July 27, 2015, the Company filed a motion to dismiss the case. At a hearing on May 24, 2016, the court granted the motion to dismiss in part and denied it in part. On July 22, 2016, the Company filed an answer to the suit denying the remaining allegations in the case, which complain of alleged misrepresentations and omissions in violation of the Act regarding internal controls, the performance of the Oil & Gas segment, and Mr. Harl’s departure. The Company will vigorously defend against the remaining allegations, which the Company believes are without merit. The Company is not able at this time to determine the likelihood of loss, if any, arising from this matter.

In addition, two shareholder derivative lawsuits were filed purportedly on behalf of the Company in connection with the restatement. The first, Markovich v. Harl et al, was filed on November 6, 2014 in the District Court of Harris County, Texas. The second, Kumararatne v. McNabb et al, was filed on March 4, 2015 in the USDC, but was voluntarily dismissed by the plaintiff on April 23, 2015. The Markovich lawsuit named certain current and former officers and members of the Company's board of directors as defendants and the Company as a nominal defendant. The lawsuit alleged that the officer and board member defendants breached their fiduciary duties by permitting the Company’s internal controls to be inadequate, failing to prevent the restatements, wasting corporate assets, and alleged that the defendants were unjustly enriched. The defendants sought dismissal of the lawsuit on the grounds that the plaintiff failed to make demand upon the Company’s board to bring the lawsuit and on February 23, 2016, the court sustained the defendants’ motion and dismissed the lawsuit with prejudice. On March 10, 2016, the plaintiff filed a motion for reconsideration and asked the court for leave to amend its lawsuit. The court granted the plaintiff’s motion in part, allowing an amended petition, which was filed on April 18, 2016. The Plaintiff’s Second Amended Petition added Ravi Kumararatne as a plaintiff and added claims for breach of fiduciary duty against the former officers and officer and board of director defendants related to the departure of former Company executives, financial controls, and compliance with the Company’s debt covenants. The Company sought dismissal of the amended petition on the grounds the plaintiffs failed to make a demand upon the Company’s board to bring the lawsuit. In response, plaintiffs filed a Third Amended Petition on June 24, 2016, purporting to add additional facts to support their allegations, including their allegation that they are excused from making a demand upon the board because, they claim, such demand would be futile. Believing the claims added by plaintiffs are without merit, the Company has moved to dismiss this latest pleading and expects its motion to be heard by the Court in the third quarter. The Company is not able at this time to determine the likelihood of loss, if any, arising from this matter.

Other

The SEC issued an order of investigation on January 29, 2015 and a subpoena on February 3, 2015, requesting information regarding the restatement of the Company's previously issued condensed consolidated financial statements for the quarterly periods ended March 31, 2014 and June 30, 2014. The Company provided its full cooperation to the SEC, who on January 25, 2016, sent the Company a letter stating it had concluded its investigation and, based on the information it had, did not intend to recommend an enforcement action against the Company.

In addition to the matters discussed above, 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 consolidated results of operations, financial position or cash flows.

12. Contingencies, Commitments and Other Circumstances (continued)

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 to secure the Company’s performance of contracted services. In such cases, the letters of credit or bond commitments can be called upon in the event of the Company's 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 otherwise withholds a percentage of the contract value until project completion or expiration of a warranty period. Retention letters of credit or bond commitments can be called upon in the event of warranty or project completion issues, as prescribed in the contracts. The Company also issues letters of credit from time-to-time to secure deductible obligations under its workers compensation, automobile and general liability policies. At June 30, 2016, the Company had approximately $47.0 million of outstanding letters of credit. 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 (primarily performance in nature) that are customarily required by commercial terms on construction projects. At June 30, 2016, these bonds outstanding had a face value at $171.5 million. 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 Company's performance of 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 June 30, 2016, no liability has been recognized for letters of credit or surety bonds.

Other Circumstances

The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. 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.

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13. 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