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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from to .

Commission file number 0001-34145

Primoris Services Corporation

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**20-4743916** (I.R.S. Employer Identification No.)
2100 McKinney Avenue, Suite 1500 **Dallas, Texas** (Address of Principal Executive Offices)	**75201** (Zip Code)

Registrant s telephone number, including area code: **(214) 740-5600**

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 x No o

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o Do not check if a smaller reporting company.	Smaller reporting company o

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

At August 6, 2013, 51,571,394 shares of the registrant s common stock were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PRIMORIS SERVICES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Amounts)

(Unaudited)

		June 30, 2013		December 31, 2012
ASSETS				
Current assets:				
Cash and cash equivalents	$	113,777	$	157,551
Short term investments		3,428		3,441
Customer retention deposits and restricted cash		27,503		35,377
Accounts receivable, net		251,092		268,095
Costs and estimated earnings in excess of billings		70,288		41,701
Inventory and uninstalled contract materials		38,339		37,193
Deferred tax assets		10,477		10,477
Prepaid expenses and other current assets		12,719		10,800
Total current assets		527,623		564,635
Property and equipment, net		215,659		184,840
Investment in non-consolidated entities		12,724		12,813
Intangible assets, net		49,893		51,978
Goodwill		118,028		116,941
Other long-term assets		1,158		
Total assets	$	925,085	$	931,207
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable	$	102,026	$	151,546
Billings in excess of costs and estimated earnings		162,570		158,892
Accrued expenses and other current liabilities		80,349		76,152
Dividends payable		1,805		
Current portion of capital leases		4,335		3,733
Current portion of long-term debt		21,967		19,446
Current portion of contingent earnout liabilities		8,048		10,900
Total current liabilities		381,100		420,669
Long-term capital leases, net of current portion		3,584		3,831
Long-term debt, net of current portion		144,546		128,367
Deferred tax liabilities		20,018		20,018
Long-term contingent earnout liabilities, net of current portion		5,924		12,531
Other long-term liabilities		11,568		13,153
Total liabilities		566,740		598,569
Commitments and contingencies				

Stockholders equity				
Common stock $.0001 par value, 90,000,000 shares authorized, 51,562,284 and 51,403,686 issued and outstanding at June 30, 2013 and December 31, 2012		5		5
Additional paid-in capital		158,730		155,605
Retained earnings		197,500		175,517
Noncontrolling interests		2,110		1,511
Total stockholders equity		358,345		332,638
Total liabilities and stockholders equity	$	925,085	$	931,207

See Accompanying Notes to Condensed Consolidated Financial Statements

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PRIMORIS SERVICES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Revenues	$ 445,013	$ 337,436	$ 855,008	$ 629,009
Cost of revenues	385,476	293,432	749,375	547,409
Gross profit	59,537	44,004	105,633	81,600
Selling, general and administrative expenses	31,560	23,396	60,179	43,670
Operating income	27,977	20,608	45,454	37,930
Other income (expense):				
Income (loss) from non-consolidated entities	(213)	(47)	56	1,054
Foreign exchange loss	(29)	(6)	(88)	(48)
Other expense	(377)	(371)	(433)	(579)
Interest income	23	25	63	47
Interest expense	(1,498)	(1,006)	(2,922)	(2,107)
Income before provision for income taxes	25,883	19,203	42,130	36,297
Provision for income taxes	(9,990)	(7,346)	(16,197)	(13,910)
Net income	$ 15,893	$ 11,857	$ 25,933	$ 22,387
Less net income attributable to noncontrolling interests	(329)	(124)	(599)	(168)
Net income attributable to Primoris	$ 15,564	$ 11,733	$ 25,334	$ 22,219
Earnings per share:				
Basic	$ 0.30	$ 0.23	$ 0.49	$ 0.43
Diluted	$ 0.30	$ 0.23	$ 0.49	$ 0.43
Weighted average common shares outstanding:				
Basic	51,562	51,435	51,510	51,386
Diluted	51,626	51,435	51,547	51,386

See Accompanying Notes to Condensed Consolidated Financial Statements

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PRIMORIS SERVICES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash flows from operating activities:		
Net income	$ 25,933	$ 22,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,912	13,557
Amortization of intangible assets	3,685	3,193
Gain on sale of property and equipment	(202)	(1,776)
Income from non-consolidated entities	(56)	(1,054)
Non-consolidated entity distributions	145	1,260
Stock based compensation expense	91	
Changes in assets and liabilities:		
Customer retention deposits and restricted cash	7,874	(8,678)
Accounts receivable	17,003	20,813
Costs and estimated earnings in excess of billings	(28,587)	(2,983)
Other current assets	(3,221)	206
Accounts payable	(50,407)	(2,056)
Billings in excess of costs and estimated earnings	3,678	(6,455)
Contingent earnout liabilities	(10,161)	(2,871)
Accrued expenses and other current liabilities	4,254	6,397
Other long-term liabilities	(1,585)	(2,237)
Net cash provided by (used in) operating activities	(11,644)	39,703
Cash flows from investing activities:		
Purchase of property and equipment	(49,256)	(12,409)
Proceeds from sale of property and equipment	1,675	6,731
Purchase of short-term investments	(4,175)	
Sale of short-term investments	4,188	23,000
Cash paid for acquisitions	(1,025)	(35,131)
Net cash used in investing activities	(48,593)	(17,809)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	42,364	12,776
Repayment of capital leases	(2,145)	(7,075)
Repayment of long-term debt	(23,664)	(8,284)
Repayment of subordinated debt		(17,501)
Proceeds from issuance of common stock purchased by management under long-term incentive plan	1,455	1,240
Dividends paid	(1,547)	(3,069)
Repurchase of common stock		(1,001)
Net cash provided by (used in) financing activities	16,463	(22,914)
Net change in cash and cash equivalents	(43,774)	(1,020)
Cash and cash equivalents at beginning of the period	157,551	120,306
Cash and cash equivalents at end of the period	$ 113,777	$ 119,286

See Accompanying Notes to Condensed Consolidated Financial Statements

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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	Six Months Ended June 30, 2013		Six Months Ended June 30, 2012	
	(Unaudited)			
Cash paid during the period for:				
Interest	$	2,559	$	1,588
Income taxes, net of refunds received	$	18,016	$	11,081
Components of cash paid for acquisitions:				
Fair value of assets acquired FSSI	$	2,377	$	
Fair value of assets acquired Sprint				28,377
Fair value of assets acquired Silva				14,109
Cash payment to sellers after closing		(650)		(175)
Contingent liabilities		(702)		(6,200)
Common stock issued for acquisition				(980)
Cash paid for acquisitions	$	1,025	$	35,131

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Six Months Ended June 30, 2013		Six Months Ended June 30, 2012	
	(Unaudited)			
Obligations incurred for the acquisition of property and equipment	$	2,500	$	1,046
Dividends declared and not yet paid	$	1,805	$	1,542

See Accompanying Notes to Condensed Consolidated Financial Statements

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PRIMORIS SERVICES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars In Thousands, Except Share and Per Share Amounts)

(Unaudited)

Note 1 Nature of Business

Organization and operations Primoris Services Corporation is a holding company of various subsidiaries which, collectively, are engaged in various construction and product engineering activities. The Company s underground and directional drilling operations install, replace and repair natural gas, petroleum, telecommunications and water pipeline systems, including large diameter pipeline systems. The Company s industrial, civil and engineering operations build and provide maintenance services to industrial facilities including power plants, petrochemical facilities, and other processing plants; construct multi-level parking structures; and engage in the construction of highways, bridges and other environmental construction activities. The Company is incorporated in the State of Delaware and its corporate headquarters are located at 2100 McKinney Avenue, Suite 1500, Dallas, Texas 75201.

The wholly-owned subsidiaries of Primoris include ARB, Inc. (ARB), ARB Structures, Inc., All Day Electric Company, Inc., OnQuest, Inc. (parent of OnQuest Canada, ULC, prior to January 1, 2013 Born Heaters Canada, ULC), Cardinal Contractors, Inc., Stellaris, LLC, James Construction Group LLC (JCG), Rockford Corporation (Rockford) and Primoris Energy Services Corporation (PES). Primoris has been acquisitive over the last several years expanding both service capabilities and geographic footprint. The acquisitions in 2012 included the purchase of Sprint Pipeline Services, L.P. (Sprint), the purchase of certain assets of Silva Contracting Company, Inc., Tarmac Materials, LLC and C3 Interest, LLC (collectively Silva), The Saxon Group (Saxon) and the acquisition of Q3 Contracting, Inc. (Q3C).

The Company is a party to the Blythe Power Constructors joint venture for the installation of a parabolic trough solar field and steam generation system in California.

On March 11, 2013, the Company s subsidiary, PES, purchased the assets of Force Specialty Services Inc. (FSSI) which specializes in turn-around work at refineries and chemical plants in the Gulf Coast area.

Unless specifically noted otherwise, as used throughout these consolidated financial statements, Primoris , the Company , we , our , us or its to the business, operations and financial results of the Company and its wholly-owned subsidiaries.

Note 2 Basis of Presentation

Interim consolidated financial statements The interim condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2013 and 2012 have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities Exchange Act of 1934, as amended (the Exchange Act). As such, certain disclosures, which would substantially duplicate the disclosures contained in the Company s latest audited consolidated financial statements, have been omitted.

This Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 (the Second Quarter 2013 Report) should be read in concert with the Company s Annual Report on Form 10-K, filed on March 7, 2013, which contains the Company s audited consolidated financial statements for the year ended December 31, 2012. The interim financial information is unaudited. In the opinion of management, the unaudited information includes all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the interim financial information.

Revenue recognition

Fixed-price contracts Historically, a substantial portion of the Company s revenue has been generated under fixed-price contracts. For fixed-price contracts, the Company recognizes revenues using the percentage-of-completion method, which may result in uneven and irregular results. Unforeseen events and circumstances can alter the estimate of the costs and potential profit associated with a particular contract. Total estimated costs, and thus contract revenues and income, can be impacted by changes in any of the following: productivity, scheduling, the unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, client needs, client delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project s completion and thus the timing of revenue recognition. To the extent that original cost estimates are modified, estimated costs to complete increase, delivery schedules are delayed, or progress under a contract is otherwise impeded, cash flow, revenue recognition and profitability from a particular contract may be adversely affected.

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In the percentage-of-completion method, estimated revenues and resulting contract income is calculated based on the total costs incurred to date as a percentage of total estimated costs. If an estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full at the time of the estimate. The loss amount is recognized as an accrued loss provision and is included in the accrued expenses and other liabilities amount on the balance sheet. As the percentage-of-completion method is used to calculate revenues, the accrued loss provision is changed so that the gross profit for the contract is zero.

Other contract forms The Company also uses unit-price, time and material, and cost reimbursable plus fee contracts. For these jobs, revenue is recognized based on contractual terms. For example, time and material contract revenues are recognized based on purchasing and employee time records. Similarly, unit price contracts recognize revenue based on accomplishment of specific units at a specified unit price.

For all of its contracts, the Company includes the provision for estimated losses on uncompleted contracts in accrued expenses. Changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and income. These revisions are recognized in the period in which the revisions are identified. Claims are included in the calculation of revenues when realization is probable and amounts can be reliably determined. Revenues in excess of contract costs incurred on claims are recognized when the amounts have been agreed upon with the customer.

The caption *Costs and estimated earnings in excess of billings* represents unbilled receivables which arise when revenues have been recorded but the amount has not been billed under the terms of the contract until a later date. Balances may represent: (a) unbilled amounts arising from the use of the percentage-of-completion method of accounting which may not be billed under the terms of the contract until a later date, (b) incurred costs to be billed under cost reimbursement type contracts, or (c) amounts arising from routine lags in billing. For those contracts in which billings exceed contract revenues recognized to date, excesses are included in the caption *Billings in excess of costs and estimated earnings* .

The Company considers unapproved change orders to be contract variations for which we have customer approval for a change in scope but for which we do not have an agreed upon price change. Costs associated with unapproved change orders are included in the estimated cost to complete the contracts and are treated as project costs as incurred. The Company recognizes revenue equal to costs incurred on unapproved change orders when realization of price approval is probable and the estimated revenue amount is equal to or greater than the costs related to the unapproved change order. Unapproved change orders involve the use of estimates, and it is reasonably possible that revisions to the estimated costs and recoverable amounts may be required in future reporting periods to reflect changes in estimates or final agreements with customers.

The Company considers claims to be amounts Primoris seeks, or will seek, to collect from customers or others for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers on both scope and price changes. Revenue in excess of contract costs from claims is recognized when agreement is reached with customers as to the value of the claims, which in some instances may not occur until after completion of work under the contract. Costs associated with claims are included in the estimated costs to complete the contracts and are treated as project costs when incurred.

In accordance with applicable terms of construction contracts, certain retainage amounts may be withheld by customers until completion and acceptance of the project. Some payments of the retainage may not be received for a significant period after completion of our portion of a project.

Significant revision in contract estimate As previously discussed, revenue recognition is based on the percentage-of-completion method for firm fixed-price contracts. Under this method, the costs incurred to date as a percentage of total estimated costs are used to calculate the revenue to be recognized. Total estimated costs, and thus contract income, are impacted by many factors.

For projects that were in process in the prior year, but are either completed or continue to be in process during the current year, there can be a difference in revenues and profits related to the prior year, had current year estimates of costs to complete been known in the prior year.

Customer Concentration The Company operates in multiple industry segments encompassing the construction of commercial, industrial and public works infrastructure assets throughout primarily the United States. Typically, the top ten customers in any one calendar year generate revenues in excess of 50% of total revenues and consist of a different group of customers in each year.

During the three-months and six-months ending June 30, 2013, revenues generated by the top ten customers were $216 million and $443 million, respectively, which represented 48.6% and 51.9%, respectively, of total revenues during the periods. During the three and six month periods ending June 30, 2013, a large gas and electric utility represented 7.6% and 8.0%, respectively, of total revenues and a large pipeline company represented 8.2% and 5.0%, respectively, of total revenues.

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During the three and six months ending June 30, 2012, revenues generated by the top ten customers were $185 million and $364 million, respectively, which represented 54.8% and 57.9%, respectively, of total revenues during the periods. During the three and six month periods ending June 30, 2012, the Louisiana DOT represented 11.6% and 13.3%, respectively, of total revenues and a large gas and electric utility represented 12.1% and 11.9%, respectively, of total revenues.

At June 30, 2013, approximately 6.5% of the Company s accounts receivable were due from one customer, and that customer provided 6.4% of the Company s revenues for the six months ended June 30, 2013. At June 30, 2012, approximately 6.8% of the Company s accounts receivable were due from one customer, and that customer provided 4.1% of the Company s revenues for the six months ended June 30, 2012.

Multiemployer Plans The Company participates and contributes to a number of multiemployer benefit plans for its union employees at rates determined by the various collective bargaining agreements. The trustees for each multiemployer plan determines the eligibility and allocations of contributions and benefit amounts, determines the types of benefits and administers the plan. The potential withdrawal obligation may be significant. Any withdrawal liability would be recorded when it is probable that a liability exists and can be reasonably estimated, in accordance with GAAP. In November 2011, the Company withdrew from the Central States Southeast and Southwest Areas Pension Fund multiemployer pension plan. At June 30, 2013, the Company had recorded a withdrawal liability of $7.5 million on its balance sheet. The Company has no plans to withdraw from any other agreements. See Note 19 Commitments and Contingencies.

Inventory and uninstalled contract materials Inventory consists of expendable construction materials and small tools that will be used in construction projects and is valued at the lower of cost, using first-in, first-out method, or market. Uninstalled contract materials include certain job specific materials not yet installed which are valued using the specific identification method.

Note 3 Recent Accounting Pronouncements

In January 2013, the FASB issued ASU 2013-01, which clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11 , *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* . The ASU is effective for the fiscal years beginning on or after January 1, 2013, and interim periods within. Retrospective application is required for any period presented that begins before the entity s initial application of the new requirements. The adoption of this guidance did not have a material impact on the Company s financial statements.

In February 2013, the FASB issued ASU 2013-04, Liabilities (Topic 405): *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force)* (ASU 2013-04). ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This ASU is an update to FASB ASC Topic 405, *Liabilities* . The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is currently evaluating the impact of this guidance on its financial statements.

Note 4 Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures* , defines fair value in GAAP, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. ASC Topic 820 requires that certain financial assets and financial liabilities be re-measured and reported at fair value each reporting period and that other non-financial assets and liabilities be re-measured and reported at fair value on a non-recurring basis. ASC Topic 820 also establishes three reporting levels for fair value measurements.

In general, fair values determined by Level 1 use quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs use data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for an asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The following table presents, for each of the fair value hierarchy levels identified under ASC Topic 820, the Company s financial assets that are required to be measured at fair value at June 30, 2013 and December 31, 2012:

		Fair Value Measurements at Reporting Date		
	Amount Recorded on Balance Sheet	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets as of June 30, 2013:				
Cash and cash equivalents	$ 113,777	$ 113,777		
Short-term investments	$ 3,428	$ 3,428		
Liabilities as of June 30, 2013:				
Contingent consideration	$ 13,972			$ 13,972
Assets as of December 31, 2012:				
Cash and cash equivalents	$ 157,551	$ 157,551		
Short-term investments	$ 3,441	$ 3,441		
Liabilities as of December 31, 2012:				
Contingent consideration	$ 23,431			$ 23,431

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Short-term investments consist primarily of Certificates of Deposit (CDs) purchased through the CDARS (Certificate of Deposit Account Registry Service) process and U.S. Treasury bills with various financial institutions that are backed by the federal government FDIC program.

Other financial instruments of the Company consist of accounts receivable, accounts payable and certain accrued liabilities. These financial instruments generally approximate fair value based on their short-term nature. The carrying value of the Company s long-term debt approximates fair value based on comparison with current prevailing market rates for loans of similar risks and maturities.

The following table provides a rollforward of the Company s contingent consideration liability Level 3 fair value measurements during the six months ended June 30, 2013:

Contingent Consideration		
Balance at December 31, 2012	$	23,431
Additions:		
FSSI acquisition on March 11, 2013		702
Change in fair value of contingent consideration		739
Reductions:		
Payment to Rockford sellers		(6,900)
Payment to Sprint sellers		(4,000)
Balance at June 30, 2013	$	13,972

On a quarterly basis, the Company assesses the estimated fair value of the contractual obligation to pay the contingent consideration and any changes in estimated fair value are recorded as other non-operating expense or income in the Company s statement of operations. Fluctuations in the fair value of contingent consideration are impacted by two unobservable inputs, management s estimate of the probability (which range from 33% to 95%) of the acquired company meeting the contractual operating performance target and the estimated discount rate (a rate that approximates the Company s cost of capital). Significant changes in either of those inputs in isolation would result in a significantly different fair value measurement. Generally, a change in the assumption of the probability of meeting the performance target is accompanied by a directionally similar change in the fair value of contingent consideration liability, whereas a change in assumption of the estimated discount rate is accompanied by a directionally opposite change in the fair value of contingent consideration liability.

Note 5 Accounts Receivable

The following is a summary of the Company s accounts receivable:

		June 30, 2013		**December 31, 2012**
Contracts receivable, net of allowance for doubtful accounts of $ 497 for June 30, 2013 and $432 for December 31, 2012	$	211,184	$	227,548
Retention		39,826		39,710
		251,010		267,258
Other accounts receivable		82		837

	$	251,092	$	268,095

Note 6 Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts consist of the following at:

		June 30, 2013		December 31, 2012
Costs incurred on uncompleted contracts	$	3,744,678	$	3,882,968
Reserve for estimated losses on uncompleted contracts		522		764
Gross profit recognized		446,369		448,928
		4,191,569		4,332,660
Less: billings to date		(4,283,851)		(4,449,851)
	$	(92,282)	$	(117,191)

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This amount is included in the accompanying consolidated balance sheet under the following captions:

	June 30, 2013	December 31, 2012
Costs and estimated earnings in excess of billings	$ 70,288	$ 41,701
Billings in excess of costs and estimated earnings	(162,570)	(158,892)
	$ (92,282)	$ (117,191)

Note 7 Equity Method Investments

WesPac Energy LLC

On July 1, 2010, the Company acquired a 50% membership interest in WesPac Energy LLC, a Nevada limited liability company (WesPac), from Kealine Holdings, LLC (Kealine), a Nevada limited liability company. Kealine holds the remaining 50% membership interest in WesPac. WesPac develops pipeline and terminal projects in the United States, Canada and Mexico. We have no future obligation to make any additional investments into WesPac. All key investment, management and operating decisions of WesPac require unanimous approval from a management committee equally represented by Kealine and us. The Company believes the ownership interest in WesPac broadens its exposure to construction opportunities across North America.

The following is a summary of the financial position and results as of and for the periods ended:

	June 30, 2013	December 31, 2012
WesPac Energy, LLC		
Balance sheet data		
Assets	$ 16,176	$ 16,896
Liabilities	773	1,063
Net assets	$ 15,403	$ 15,833
Company s equity investment	$ 11,248	$ 11,463

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Earnings data:				
Revenue	$ 50	$ 111	$ 89	$ 511
Expenses	$ 288	$ 428	$ 519	$ 644
Earnings before taxes	$ (238)	$ (317)	$ (430)	$ (133)
Company s equity in earnings	$ (119)	$ (159)	$ (215)	$ (67)

St. Bernard Levee Partners

The Company purchased a 30% interest in St. Bernard Levee Partners (Bernard) in the fourth quarter 2009 for $300 and accounts for this investment under the equity method. Bernard engaged in construction activities in Louisiana, and all work was completed January 2013. Bernard distributed $490 and $4,200 to its equity holders during the six months ended June 30, 2013 and 2012, respectively, of which, the Company s share, as calculated under the joint venture agreement, was $145 and $1,260 for the same periods in 2013 and 2012, respectively. The following is a summary of the financial position and results as of and for the periods ended:

	June 30, 2013	December 31, 2012
St. Bernard Levee Partners		
Balance sheet data		
Assets	$ 22	$ 592
Liabilities	22	86
Net assets	$	$ 506
Company s equity investment	$	$ 150

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	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Earnings data:				
Revenue	$	$ 499	$	$ 3,934
Expenses	$ 16	$ 126	$ 16	$ 198
Earnings before taxes	$ (16)	$ 373	$ (16)	$ 3,736
Company s equity in earnings	$ (5)	$ 112	$ (5)	$ 1,121

Alvah, Inc.

As part of the acquisition of Q3C, the Company acquired a 49% membership interest in Alvah, Inc., a California corporation (Alvah). Alvah is engaged in electrical contracting activities, primarily in Northern California and worked as a subcontractor for ARB prior to the Q3C acquisition. Alvah has continued to work for ARB subsequent to the acquisition. In December 2012, Alvah distributed $200, of which the Company s share was $98. During the three and six months ending June 30, 2013, payments made by ARB to Alvah were $1,423 and $2,909, respectively, and payments made by Q3C were $0 and $212, respectively. For the same periods in the prior year, ARB made payments of $908 and $2,153, respectively and Q3C made payments of $115 and $233, respectively.

The following is a summary of the financial position and results as of and for the period ended:

	June 30, 2013	December 31, 2012
Balance sheet data		
Assets	$ 3,009	$ 2,177
Liabilities	1,477	1,208
Net assets	$ 1,532	$ 969
Company s equity investment in venture	$ 1,476	$ 1,200

	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Earnings data:				
Revenue	$ 3,292	$	$ 6,008	$
Expenses	$ 3,474	$	$ 5,445	$
Earnings before taxes	$ (182)	$	$ 563	$
Company s equity in earnings	$ (89)	$	$ 276	$

Because Alvah was not acquired until November 2012, there was no activity in the prior year.

Note 8 Business Combinations

2013 Acquisition - FSSI

On March 11, 2013, the Company s subsidiary, PES, purchased the assets of Force Specialty Services Inc. (FSSI) which specializes in turn-around work at refineries and chemical plants in the Gulf Coast area. Based in the greater Houston, Texas area, FSSI s location provides a presence and convenient access to refineries in south Texas, the Houston ship channel and Louisiana.

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The fair value of the consideration for the acquisition was $2,377. Consideration consisted of cash totaling $1,675, of which $1,025 was paid at closing and $650 was paid in the second quarter 2013. The agreement provides for three future potential payments, contingent upon FSSI meeting certain operating performance targets for the remainder of calendar year 2013 and calendar years 2014 and 2015.

The contingent consideration is as follows: (1) $500 in cash for the achievement of pretax income of at least $553 for the remainder of the year ending December 31, 2013; (2) a payment of $500 in cash if pretax income for the year 2014 is at least $2,502; and (3), a payment of $500 in cash if pretax income for the year 2015 is at least $4,227. The estimated fair value of the potential contingent consideration on the acquisition date was $702 and at June 30, 2013 was $721.

The asset purchase agreement also included a provision that PES pay $1,000 for a five-year employment, non-competition and non-solicitation agreement with a key employee. If the employee violates the agreement or terminates his employment prior to the end of the five-year period, he is required to repay the unamortized amount of the $1,000 payment. This agreement has been accounted for as a prepaid asset and is being amortized equally over the five-year period.

At closing the Company received $302 in small tools inventory, $448 in property, plant and equipment, and recorded accounts payable of $1,060.

The acquisition was accounted for using the acquisition method of accounting. The assets acquired and liabilities assumed were measured at their estimated fair value at the acquisition date. The FSSI purchase was included in the Company s consolidated balance sheet as of June 30, 2013. During the period subsequent to its March 11, 2013 acquisition date, FSSI contributed revenues of $2,990 and $3,473 and gross profit of $183 and $311, for the three and six months ended June 30, 2013, respectively.

During the second quarter 2013, the Company finalized its estimates of the fair value of the contingent consideration, intangible assets and goodwill for the acquisition. The final revision resulted in a change from the estimated values recorded at March 31, 2013, including a decrease in the fair value of the contingent consideration of $136, increases in intangible assets of $800 and a decrease of $936 for goodwill.

The customer relationships were valued at $950 utilizing the excess earnings method of the income approach. The estimated discounted cash flows associated with existing customers and projects were based on historical and market participant data. Such discounted cash flows were net of fair market returns on the various tangible and intangible assets that are necessary to realize the potential cash flows.

The fair value of the tradename of $550 was determined based on the relief from royalty method. A royalty rate was selected based on consideration of several factors, including external research of third party tradename licensing agreements and their royalty rate levels, and management estimates. The useful life was estimated at five years based on management s expectation for continuing value of the tradename in the future.

The fair value for the non-compete agreement of $100 was based on a discounted income approach model, including estimated financial results with and without the non-compete agreement in place. The agreement was analyzed based on the potential impact of competition that certain individuals could have on the financial results, assuming the agreement was not in place. An estimate of the probability of competition was applied and the results were compared to a similar model assuming the agreement was in place.

Goodwill of $1,087 largely consists of expected benefits from the greater presence and convenient access to south Texas, the Houston ship channel and Louisiana and FSSI s expertise in turn-around work for refineries and chemical plants. Goodwill also includes the value of the assembled workforce of the FSSI business. Based on the current tax treatment, goodwill and other intangible assets will be deductible for income tax purposes over a fifteen-year period.

2012 Acquisition - Sprint Pipeline Services, L.P.

The March 12, 2012 acquisition of Sprint was accounted for using the acquisition method of accounting. The fair value of the consideration totaled $28,377, which included cash payments of $21,197, Company stock valued at $980 (or 62,052 shares of restricted common stock) and contingent consideration of $6,200.

The contingent consideration was as follows: If income before interest, taxes, depreciation and amortization (EBITDA) for 2012, as defined in the purchase agreement, was at least $7,000, we would pay $4,000 in cash to the sellers. The earnout target was achieved in 2012 and was paid in April 2013.

The 2013 earnout target provides for an additional cash payment of $4,000 to the sellers if 2013 EBITDA is at least $7,750. The estimated fair value of the 2013 contingent consideration as of the acquisition date was $2,745 and at June 30, 2013 and December 31, 2012, the estimated fair value of the contingent consideration was $3,205 and $3,020, respectively.

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2012 Acquisition - Silva Companies

The May 30, 2012 acquisition of Silva was accounted for using the acquisition method of accounting. The fair value of the consideration was $14,090.

2012 Acquisition - The Saxon Group

The September 28, 2012 acquisition of Saxon was accounted for using the acquisition method of accounting. The fair value of the consideration was $550 in cash, payment of a banknote for $2,429, and contingent consideration valued at $1,950 for total consideration of $4,929.

The contingent consideration included an earnout where the Company would pay $2,500 to the sellers, contingent upon Saxon meeting one of the following two targets: (1) EBITDA for the fifteen month period ending December 31, 2013 of at least $4,000 or; (2) EBITDA for the twenty-one month period ending June 30, 2014 of at least $4,750. The estimated fair value of the contingent consideration on the acquisition date was $1,950. The estimated fair value of the contingent consideration was $2,184 and $2,028 at June 30, 2013 and December 31, 2012, respectively.

2012 Acquisition Q3 Contracting

The November 17, 2012 acquisition of Q3C was accounted for using the acquisition method of accounting. The fair value of the consideration totaled $55,994, and included a cash payment of $48,116, a contingent earnout with a fair value of $7,448 and payment of $430 in Company common stock. In January 2013, we issued 29,273 shares of unregistered stock.

The contingent consideration included an earnout whereby the Company would pay additional cash to the sellers contingent on Q3C meeting certain operating performance targets. The targets were based on obtaining certain levels of Q3C s EBITDA as that term is defined in the stock purchase agreement. The targets are as follows:

1. If EBITDA for the period November 18, 2012 through December 31, 2013 is at least $17,700, the Company agreed to pay $3,750 in cash to the sellers, with an additional cash payment of $1,250 if EBITDA exceeds $19,000.

2. If EBITDA for the calendar year 2014 is at least $19,000, the Company agreed to pay $3,750 in cash to the sellers, with an additional cash payment of $1,250 if EBITDA exceeds $22,000.

The fair value of the contingent consideration was estimated at $7,450 as of the purchase date and is included on the Company s balance sheet as a liability. The fair value is based on management s evaluation of the probability of Q3C meeting the EBITDA targets for the two periods, discounted at the Company s estimated average cost of capital. The estimated fair value at June 30, 2013 and December 31, 2012 was $7,862 and $7,490, respectively.

Supplemental Unaudited Pro Forma Information for the three and six months ended June 30, 2013 and 2012

In accordance with ASC Topic 805 we are combining the pro forma information for the FSSI, Sprint, Silva, Saxon and Q3C acquisitions (the Acquisitions). The following pro forma information for the three and six months ended June 30, 2013 and 2012 presents the combined results of operations of the Acquisitions combined, as if the Acquisitions had each occurred at the beginning of 2012. The supplemental pro forma information has been adjusted to include:

- the pro forma impact of amortization of intangible assets and depreciation of property, plant and equipment, based on the purchase price allocations;

- the pro forma impact of the expense associated with the amortization of the discount for the fair value of the contingent consideration for potential earnout liabilities that may be achieved in 2013 for the Sprint and FSSI acquisitions and 2013 or 2014 for the Saxon, Q3C and FSSI acquisitions;

- the pro forma tax effect of both the income before income taxes and the pro forma adjustments, calculated using a tax rate of 39.0% for the three and six months ended June 30, 2012 and the applicable periods in 2013; and

- the pro forma increase in weighted average shares outstanding including 62,052 unregistered shares of common stock issued as part of the Sprint acquisition and 29,273 shares of unregistered common stock issued as part of the Q3C acquisition.

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The pro forma results are presented for illustrative purposes only and are not necessarily indicative of, or intended to represent, the results that would have been achieved had the Acquisitions been completed on January 1, 2012. For example, the pro forma results do not reflect any operating efficiencies and associated cost savings that the Company might have achieved with respect to the combined companies.

	Three months ended June 30,				Six months ended June 30,			
	2013		2012		2013		2012	
Revenues		445,013		357,368		857,807		675,783
Income before provision for income taxes		25,883		16,583		42,015		31,158
Net income attributable to Primoris		15,564		10,135		25,264		19,084
Weighted average common shares outstanding:								
Basic		51,562		51,526		51,511		51,440
Diluted		51,626		51,526		51,575		51,440
Earnings per share:								
Basic	$	0.30	$	0.20	$	0.49	$	0.37
Diluted	$	0.30	$	0.20	$	0.49	$	0.37

Note 9 Intangible Assets

At June 30, 2013 and December 31, 2012, intangible assets totaled $49,893 and $51,978, respectively, net of amortization. The June 30, 2013 balance includes the effect of the FSSI acquisition (See Note 8). The table below summarizes the intangible asset categories, amounts and the average amortization periods, which are generally on a straight-line basis, as follows:

	Amortization Period	June 30, 2013		December 31, 2012	
Tradename	3 to 10 years	$	22,593	$	23,586
Non-compete agreements	2 to 5 years	$	3,407	$	4,130
Customer relationships	5 to 15 years	$	23,893	$	24,212
Backlog	0.75 years	$		$	50
Total		$	49,893	$	51,978

Amortization expense of intangible assets was $1,891 and $1,447 for the three months ended June 30, 2013 and 2012, respectively, and amortization expense for the six months ended June 30, 2013 and 2012 was $3,685 and $3,193, respectively. Estimated future amortization expense for intangible assets is as follows:

For the Years Ending December 31,	Estimated Intangible Amortization Expense	
2013 (remaining six months)	$	3,655
2014		7,489
2015		7,220

2016		6,274
2017		5,909
Thereafter		19,346
	$	49,893

Note 10 Accounts Payable and Accrued Liabilities

At June 30, 2013 and December 31, 2012, accounts payable included retention amounts of approximately $12,171 and $15,946, respectively. These amounts are due to subcontractors but have been retained pending contract completion and customer acceptance of jobs.

The following is a summary of accrued expenses and other current liabilities at:

	June 30, 2013	December 31, 2012
Payroll and related employee benefits	$ 40,147	$ 33,086
Insurance, including self-insurance reserves	27,800	22,982
Reserve for estimated losses on uncompleted contracts	522	764
Corporate income taxes and other taxes	2,173	3,779
Accrued overhead cost	1,266	2,007
Other	8,441	13,534
	$ 80,349	$ 76,152

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Note 11 Credit Arrangements

Revolving Credit Facility

As of June 30, 2013, the Company had a revolving credit facility (the Credit Agreement). The Credit Agreement was entered into by and among the Company, The PrivateBank and Trust Company, as administrative agent (the Administrative Agent) and co-lead arranger, The Bank of the West, as co-lead arranger and IBERIABANK Corporation (the Lenders). The Credit Agreement is a $75 million revolving credit facility whereby the lenders agree to make loans on a revolving basis from time to time and to issue letters of credit for up to the $75 million committed amount. The Credit Agreement also provides for an incremental facility of up to $50 million. The termination date of the Credit Agreement is December 28, 2017.

The principal amount of any loans under the Credit Agreement will bear interest at either: (i) LIBOR plus an applicable margin as specified in the Credit Agreement (based on the Company s senior debt to EBITDA ratio), or (ii) the Base Rate (which is the greater of (a) the Federal Funds Rate plus 0.5% or (b) the prime rate as announced by the Administrative Agent). Quarterly non-use fees, letter of credit fees and administrative agent fees are payable at rates specified in the Credit Agreement.

The principal amount of any loan drawn under the Credit Agreement may be prepaid in whole or in part, with a minimum prepayment of $5 million, at any time, potentially subject to make-whole provisions.

The Credit Agreement includes customary restrictive covenants for facilities of this type, as discussed below.

Commercial letters of credit amounted to $5,659 at June 30, 2013 and $4,808 at December 31, 2012. Other than the commercial letters of credit, there were no borrowings under this line of credit during the six months ended June 30, 2013, leaving available borrowing capacity at $69,341 at June 30, 2013.

As part of the execution of the Credit Agreement, the previous Loan and Security Agreement dated October 29, 2009, as amended, between the Company and The Private Bank and Trust Company (the PrivateBank Agreement), was terminated. There were no borrowings outstanding at the time of the termination and all letter of credit amounts issued and outstanding under the terminated agreement were transferred to the Lenders under the Credit Agreement discussed above.

Senior Secured Notes and Shelf Agreement

On December 28, 2012, the Company entered into a $50 million Senior Secured Notes purchase (Senior Notes) and a $25 million private shelf agreement (the Notes Agreement) by and among the Company and The Prudential Investment Management, Inc. and certain Prudential affiliates (the Noteholders).

A total of $50 million in Senior Notes was funded on December 28, 2012. The Senior Notes are due December 28, 2022 and bear interest at an annual rate of 3.65%, paid quarterly in arrears. Annual principal payments of $7.1 million are required beginning December 28, 2016 through December 28, 2021 with a final payment due on December 28, 2022. The principal amount may be prepaid in whole or in part, with a minimum prepayment of $5 million, at any time, subject to make-whole provisions.

The Notes Agreement provides for the issuance of additional notes of up to $25 million, during the first three years of the Notes Agreement with maturity dates no more than 10 years from the date issued, at the market interest rate for notes with equivalent terms and conditions.

All loans made under both the Credit Agreement and the Notes Agreement are secured by our assets, including, among others, our cash, inventory, goods, equipment (excluding equipment subject to permitted liens) and accounts receivable. All of our domestic subsidiaries have issued joint and several guaranties in favor of the Lenders and Noteholders for all amounts under the Credit Agreement and Notes Agreement.

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Both the Credit Agreement and the Notes Agreement contain various restrictive and financial covenants including among others, minimum tangible net worth, senior debt/EBITDA ratio, debt service coverage requirements and a minimum balance for unencumbered net book value for fixed assets. In addition, the agreements include restrictions on investments, change of control provisions and provisions in the event the Company disposes more than 20% of its total assets.

The Company was in compliance with the covenants for the Credit Agreement and Senior Notes at June 30, 2013.

Canadian Credit Facility

The Company has a credit facility for $10,000 in Canadian dollars with a Canadian bank for purposes of issuing commercial letters of credit in Canada. The credit facility has an annual renewal and provides for the issuance of commercial letters of credit for a term of up to five years. The facility provides for an annual fee of 1% for any issued and outstanding commercial letters of credit. Letters of credit can be denominated in either Canadian or U.S. dollars. At June 30, 2013 and December 31, 2012, letters of credit outstanding totaled $3,539 and $1,364 in Canadian dollars, respectively. At June 30, 2013, the available borrowing capacity was $6,461 in Canadian dollars. The credit facility contains a working capital restrictive covenant for our Canadian subsidiary, OnQuest Canada, and at June 30, 2013, OnQuest Canada, ULC was in compliance.

Subordinated Promissory Notes

Subordinated Promissory Note Rockford. In connection with the 2010 acquisition of Rockford, the Company executed an unsecured promissory note with an initial principal amount of $16,712. As a result of a dispute related to a certain liability at the time of the closing of the transaction, the Company ceased making principal and interest payments in May 2012, when the outstanding balance reached $5,000. In December 2012, the parties came to a resolution and the Company paid $1,500 to cancel the subordinated note.

Subordinated Promissory Note JCG. In connection with the 2009 acquisition of JCG, the Company executed an unsecured promissory note on December 18, 2009 in favor of the sellers with an initial principal amount of $53,500. The JCG note was paid in full on March 12, 2012.

Note 12 Noncontrolling Interests

The Company applies the provisions of ASC Topic 810-10-45, which establishes accounting and reporting standards for ownership interests of parties other than the Company in subsidiaries, such as joint ventures and partnerships.

The Company determined that the Blythe joint venture was a variable interest entity (VIE) and that the Company was the primary beneficiary as a result of its significant influence over the joint venture operations.

The Blythe joint venture operating activities were included in the Company s consolidated statements of income as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Revenues	15,631	3,793	31,903	5,414
Net income attributable to noncontrolling interests	329	124	599	168

Since Blythe is a partnership, no tax effect was recognized for the income. There were no distributions to noncontrolling interests and no capital contributions made by noncontrolling interests during the six months ended June 30, 2013 and 2012.

The carrying value of the assets and liabilities associated with the operations of the Blythe joint venture are included in the Company s consolidated balance sheets as follows:

	June 30, 2013	**December 31, 2012**
Cash	$ 4,442	$ 3,565
Accounts receivable	11,464	8,843
Current liabilities	11,680	9,379

The net assets of the joint venture are restricted for use by the project and are not available for general operations of the Company.

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Note 13   Contingent Earnout Liabilities

As part of the Rockford acquisition in November 2010, the Company agreed to issue additional cash and common stock to the sellers, contingent upon Rockford meeting certain operating performance targets for the fourth quarter 2010, for the five quarters ending December 31, 2011 and for the year ended December 31, 2012. The contingent earnout liability for 2012 was achieved and in April 2013, the Company made a $6,900 cash payment.

The Company has recorded additional contingent earnout consideration liabilities related to the acquisitions of FSSI, Sprint, Saxon and Q3C as discussed in Note 8   Business Combinations.

Note 14 Related Party Transactions

Primoris has entered into leasing transactions with Stockdale Investment Group, Inc. (SIGI). Brian Pratt, our Chief Executive Officer, President and Chairman of the Board of Directors and our largest stockholder, holds a majority interest and is the chairman, president and chief executive officer and a director of SIGI. John M. Perisich, our Executive Vice President and General Counsel, is secretary of SIGI.

Primoris leases properties from SIGI at the following locations:

1. Bakersfield (lease expires October 2022)
2. Pittsburg (lease expires April 2023)
3. San Dimas in California (lease expires March 2019)
4. Pasadena, Texas (leases expire in July 2019 and 2021)

During the six months ended June 30, 2013 and 2012, the Company paid $471 and $462, respectively, in lease payments to SIGI for the use of these properties.

The Company entered into a $6.1 million agreement in 2010 to construct a wastewater facility for Pluris, LLC, a private company in which Brian Pratt holds the majority interest. The transaction was reviewed and approved by the Audit Committee of the Board of Directors of the Company. The project was substantially completed in December 2011. The Company recognized no revenues in 2013 and recognized revenues of $355 for the six months ended June 30, 2012, at normal margins.

Primoris leases a property from Roger Newnham, a former owner and current manager of our subsidiary, OnQuest Canada, ULC. The property is located in Calgary, Canada. During the six months ended June 30, 2013 and 2012, Primoris paid $150 and $141, respectively, in lease payments. The current term of the lease is through December 31, 2014.

Primoris leases a property from Lemmie Rockford, one of the Rockford sellers, which commenced November 1, 2011. The property is located in Toledo, Washington. During the six months ended June 30, 2013 and 2012, Primoris paid $45 and $45, respectively, in lease payments. The lease expires in January 2015.

As a result of the November 2012 acquisition of Q3C, the Company became party to leased property from Quality RE Partners, owned by three of the Q3C selling shareholders, of whom two are current employees, including Jay Osborn, President of Q3C. The property is located in Little Canada, Minnesota. During the six months ended June 30, 2013, the Company paid $132, in lease payments to Quality RE Partners for the use of this property. The lease commenced October 28, 2012 and expires in October 2022.

As discussed in Note 7 *Equity Method Investments* , the Company owns several non-consolidated investments and has recognized revenues on work performed by the Company for those joint ventures.

Note 15 Stock-Based Compensation

On May 3, 2013, the Board of Directors granted 100,000 Restricted Stock Units (Units) under the 2013 Equity Incentive Plan (the 2013 Plan). The Units vest over a service period of four equal installments in 2014 through 2017, subject to earlier acceleration, termination, cancellation or forfeiture as provided in the underlying award agreement. Each Unit represents the right to receive one share of the Company s common stock when vested.

The fair value of the Units was based on the closing market price of our common stock on the day prior to the date of the grant, or $21.98 per Unit. Stock compensation expense for the Units is being amortized using the straight-line method over the service vesting period. For the three and six months ended June 30, 2013 the Company recognized $91 in compensation expense. The Company had approximately $2.1 million of unrecognized compensation expense related to the Units at June 30, 2013, which will be recognized over a period of 3.8 years.

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Vested Units accrue Dividend Equivalents (as defined in the 2013 Plan) which will be accrued as additional Units. At June 30, 2013, there were no accrued Dividend Equivalent Units.

Note 16 Income Taxes

The effective tax rate on income before taxes and noncontrolling interests for the six months ended June 30, 2013 was 38.22%. The effective tax rate for income attributable to Primoris is 39.0%. The rate differs from the U.S. federal statutory rate of 35% due primarily to state income taxes, the Domestic Production Activity Deduction and nondeductible meals and incidental per diems common in the construction industry.

To determine its quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rate from quarter to quarter. The Company recognizes interest and penalties related to uncertain tax positions, if any, as an income tax expense.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial reporting basis and tax basis of the Company s assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of enactment date.

In September 2012, the Internal Revenue Service (IRS) concluded an examination of our federal income tax returns for 2008 and 2009, which did not have a material impact on our financial statements. The tax years 2010 through 2011 remain open to examination by the IRS. The statute of limitations of state and foreign jurisdictions vary generally between 3 to 5 years. Accordingly, the tax years 2007 through 2011 generally remain open to examination by the other major taxing jurisdictions in which the Company operates.

Note 17 Dividends and Earnings Per Share

The Company has paid or declared cash dividends during 2013 as follows:

- On March 5, 2013, the Company declared a cash dividend of $0.03 per common share, payable to stockholders of record on March 29, 2013. The dividend, totaling $1,547, was paid on April 15, 2013.

- On May 3, 2013, the Company declared a cash dividend of $0.035 per common share, payable to stockholders of record on June 28, 2013. The dividend, totaling $1,805, was paid on July 15, 2013.

The table below presents the computation of basic and diluted earnings per share for the three and six months ended June 30, 2013 and 2012:

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Numerator:				
Net income attributable to Primoris	$ 15,564	$ 11,733	$ 25,334	$ 22,219
Denominator (shares in thousands):				
Weighted average shares for computation of basic earnings per share	51,562	51,435	51,510	51,386
Dilutive effect of shares issued to independent directors			4	
Dilutive effect of shares issued as part of Q3C acquisition			1	
Dilutive effect of unvested restricted stock units	64		32	
Weighted average shares for computation of diluted earnings per share	51,626	51,435	51,547	51,386
Earnings per share:				
Basic earnings per share	$ 0.30	$ 0.23	$ 0.49	$ 0.43
Diluted earnings per share	$ 0.30	$ 0.23	$ 0.49	$ 0.43

Note 18 Stockholders Equity

Common stock In March 2013, the Company received $1,455 for 131,989 shares of common stock issued, under a purchase arrangement within the Company s Long-Term Incentive Plan (LTI Plan) for managers and executives. The LTI Plan allows participants to purchase Company common stock at a discount from the market price. The shares purchased in March 2013 were for bonuses earned in 2012 and were calculated at 75% of the average market closing price of December 2012. In March 2012, the Company received $1,240 for 111,790 shares of common stock issued under the LTI Plan for bonuses earned in the prior year.

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In March 2013, the Company issued 12,480 shares of common stock as part of the quarterly compensation of the non-employee members of the Board of Directors.

As part of the acquisition of Q3C, the Company agreed to issue shares of common stock with a value of $430 based on the average December 2012 closing prices, or $14.69 per share. On January 7, 2013, we issued 29,273 unregistered shares of stock.

Note 19 Commitments and Contingencies

Leases The Company leases certain property and equipment under non-cancellable operating leases which expire at various dates through 2019. The leases require the Company to pay all taxes, insurance, maintenance and utilities and are classified as operating leases in accordance with ASC Topic 840 Leases .

Total lease expense during the three and six months ended June 30, 2013 was $3,700 and $7,545, respectively, compared to $2,517 and $4,759 for the same periods in 2012. The amounts for the three and six months ended June 30, 2013 included lease payments made to related parties of $398 and $797, respectively, and $323 and $648 for the three and six months ended June 30, 2012, respectively.

Letters of credit At June 30, 2013, the Company had letters of credit outstanding of $9,023 and at December 31, 2012, the Company had letters of credit outstanding of $6,168. The outstanding amounts include the U.S. dollar equivalents for letters of credit issued in Canadian dollars.

Litigation The Company is subject to claims and legal proceedings arising out of its business. Management believes that the Company has meritorious defenses to such claims. Although management is unable to ascertain the ultimate outcome of such matters, after review and consultation with counsel and taking into consideration relevant insurance coverage and related deductibles, management believes that the outcome of these matters will not have a materially adverse effect on the consolidated financial position of the Company.

Bonding At June 30, 2013 and December 31, 2012, the Company had bid and completion bonds issued and outstanding totaling approximately $1,388,279 and $1,298,589, respectively.

Withdrawal liability for multiemployer pension plan In November 2011, Rockford and ARB, along with other members of the Pipe Line Contractors Association (PLCA), withdrew from the Central States Southeast and Southwest Areas Pension Fund multiemployer pension plan (the Plan). In connection with the withdrawal, the Company has recorded an estimated liability of $7,500 based on information provided by the Plan. The Company withdrew from the Plan in order to mitigate its liability in connection with the Plan, which is significantly underfunded. The Plan has asserted that the PLCA members did not affect a withdrawal in 2011, although the Company believes that a legally effective withdrawal occurred in November 2011 and has recorded the withdrawal liability on that basis. If the Plan were to prevail in its assertion and the withdrawal of the Company were deemed to occur after 2011, the amount of any withdrawal liability could increase.

Prior to its acquisition, Q3C had also withdrawn from the Plan. In November 2012, Q3C estimated a withdrawal liability of $85. Subsequently, in the first quarter of 2013, the Plan asserted that the liability was $119. Without agreeing to the amount, Q3C is making payments toward the liability amount.

Contingent Consideration Earnouts related to acquisitions are discussed in Note 8 Business Combinations and Note 13 Contingent Earnout Liabilities.

Note 20 Reportable Operating Segments

The Company segregates its business into three operating segments: the East Construction Services segment, the West Construction Services segment and the Engineering segment.

The East Construction Services segment includes the JCG construction business, located primarily in the southeastern United States and the businesses located in the Gulf Coast region of the United States, including Cardinal Contractors, Inc. The segment also includes the operating results relating to the acquisitions of Sprint, Silva and Saxon in 2012 and FSSI in 2013.

The West Construction Services segment includes the construction services performed by ARB, ARB Structures, Inc., Rockford, Alaska Continental Pipeline, Inc., All Day Electric Company, Inc., Primoris Renewables, Inc., Juniper Rock, Inc. and Stellaris, LLC. While most of the entities perform work primarily in California, Rockford operates throughout the United States and Q3C operates in the upper Midwest United States. The Blyth joint venture is also included as a part of the segment.

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The Engineering segment includes the results of Onquest, Inc. and OnQuest Canada, ULC.

All intersegment revenues and gross profit, which were immaterial, have been eliminated in the following tables.

Segment Revenues

Revenue by segment for the three months ended June 30, 2013 and 2012 were as follows:

	For the three months ended June 30,					
	2013			2012		
Segment		Revenue	% of Segment Revenue		Revenue	% of Segment Revenue
East Construction Services	$	175,398	39.4%	$	156,057	46.2%
West Construction Services		258,194	58.0%		167,287	49.6%
Engineering		11,421	2.6%		14,092	4.2%
Total	$	445,013	100.0%	$	337,436	100.0%

Revenue by segment for the six months ended June 30, 2013 and 2012 were as follows:

	For the six months ended June 30,					
	2013			2012		
Segment		Revenue	% of Segment Revenue		Revenue	% of Segment Revenue
East Construction Services	$	365,609	42.8%	$	277,907	44.2%
West Construction Services		465,880	54.4%		325,318	51.7%
Engineering		23,519	2.8%		25,784	4.1%
Total	$	855,008	100.0%	$	629,009	100.0%

Segment Gross Profit

Gross profit by segment for the three months ended June 30, 2013 and 2012 were as follows:

For the three months ended June 30,

2013 2012

Segment	Gross Profit	% of Segment Revenue	Gross Profit	% of Segment Revenue
East Construction Services	$			