

MYR GROUP INC.
Form 10-K
March 15, 2010

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Item 8. Financial Statements and Supplementary Data.](#)

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2009

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

For the transition period from _____ to _____
Commission file number: 1-08325

MYR GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3158643
(I.R.S. Employer Identification No.)

**Three Continental Towers
1701 Golf Road, Suite 3-1012
Rolling Meadows, IL 60008-4210**
(Address of principal executive offices, including zip code)

(847) 290-1891
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Exchange on Which Registered
Common Stock, \$0.01 par value	NASDAQ

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

None

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

Edgar Filing: MYR GROUP INC. - Form 10-K

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a
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

As of June 30, 2009 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the outstanding common equity held by non-affiliates of the registrant was approximately \$382.4 million, based upon the closing sale price of the common stock on such date as reported by the NASDAQ Global Market (for purposes of calculating this amount, only directors, officers and beneficial owners of 10% or more of the outstanding capital stock of the registrant have been deemed affiliates).

As of March 12, 2010 there were 19,828,067 shares of the registrant's \$0.01 par value common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for use in connection with its 2010 annual meeting of stockholders to be held on May 21, 2010, to be filed with the Securities and Exchange Commission (the "SEC"), are incorporated in Part III hereof and made a part hereof.

Table of Contents

MYR GROUP INC.

ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2009

TABLE OF CONTENTS

	Page
<u>PART I</u>	
<u>Item 1.</u> <u>Business</u>	4
<u>Item 1A.</u> <u>Risk Factors</u>	14
<u>Item 1B.</u> <u>Unresolved Staff Comments</u>	26
<u>Item 2.</u> <u>Properties</u>	26
<u>Item 3.</u> <u>Legal Proceedings</u>	26
<u>Item 4.</u> <u>Reserved</u>	27
<u>PART II</u>	
<u>Item 5.</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	27
<u>Item 6.</u> <u>Selected Financial Data</u>	30
<u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	52
<u>Item 8.</u> <u>Consolidated Financial Statements and Supplementary Data</u>	54
<u>Item 9.</u> <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	93
<u>Item 9A.</u> <u>Controls and Procedures</u>	93
<u>Item 9B.</u> <u>Other Information</u>	94
<u>PART III</u>	
<u>Item 10.</u> <u>Directors, Executive Officers and Corporate Governance</u>	94
<u>Item 11.</u> <u>Executive Compensation</u>	94
<u>Item 12.</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	95
<u>Item 13.</u> <u>Certain Relationships and Related Transactions, and Director Independence</u>	95
<u>Item 14.</u> <u>Principal Accountant Fees and Services</u>	95
<u>PART IV</u>	
<u>Item 15.</u> <u>Exhibits and Financial Statement Schedules</u>	95

Table of Contents

FORWARD-LOOKING INFORMATION

Statements in this annual report on Form 10-K contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), which represent our management's beliefs and assumptions concerning future events. When used in this document and in documents incorporated by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations, beliefs, intentions or future strategies that are signified by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should" and similar expressions. The forward-looking statements in this annual report on Form 10-K speak only as of the date of this annual report on Form 10-K; we disclaim any obligation to update these statements (unless required by securities laws), and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed in Item 1A "Risk Factors" of this report, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

Throughout this report, references to "MYR Group," the "Company," "we," "us," and "our" refer to MYR Group Inc. and its consolidated subsidiaries, unless the context indicates otherwise. These risks, contingencies and uncertainties include, but are not limited to, the following:

our operating results may vary significantly from year to year;

we are unable to predict the impact of the current economic conditions in the financial markets and the resulting constraints in obtaining financing on our business and financial results;

the recent instability of the financial markets and adverse economic conditions could have a material adverse effect on the ability of our customers to perform their obligations to us;

demand for our services is cyclical and vulnerable to industry downturns and regional and national downturns, which may be amplified by the current economic conditions;

our industry is highly competitive;

we may be unsuccessful in generating internal growth;

many of our contracts may be canceled upon short notice and we may be unsuccessful in replacing our contracts if they are canceled or as they are completed or expire;

backlog may not be realized or may not result in profits;

the timing of new contracts or termination of existing contracts may result in unpredictable fluctuations in our cash flow and financial results;

the Energy Policy Act of 2005 (the "Energy Act") may not result in increased spending on electric power transmission infrastructure and the current economic conditions in the United States may lead to cancellations or delays of related projects;

Edgar Filing: MYR GROUP INC. - Form 10-K

we may not benefit from the passage of the American Recovery and Reinvestment Act of 2009 (the "ARRA");

our use of percentage-of-completion accounting could result in a reduction or elimination of previously recognized profits;

our actual costs may be greater than expected in performing our fixed price and unit price contracts;

Table of Contents

our financial results are based upon estimates and assumptions that may differ from actual results;

we insure against many potential liabilities and our reserves for estimated losses may be less than our actual losses;

we may incur liabilities or suffer negative financial impacts relating to occupational health and safety matters;

we may pay our suppliers and subcontractors before receiving payment from our customers for the related services;

we extend credit to customers for purchases of our services, and in the past we have had, and in the future we may have, difficulty collecting receivables from customers that experience financial difficulties;

we derive a significant portion of our revenues from a few customers, and the loss of one or more of these customers could have a material adverse effect on our consolidated financial condition, results of operations and cash flows;

a significant portion of our business depends on our ability to provide surety bonds, and we may be unable to compete for or work on certain projects if we are not able to obtain the necessary surety bonds;

our bonding requirements may limit our ability to incur indebtedness;

inability to hire or retain key personnel could disrupt business;

work stoppages or other labor issues with our unionized workforce could adversely affect our business;

our business is labor intensive and we may be unable to attract and retain qualified employees;

inability to perform our obligations under engineering, procurement and construction ("EPC") contracts may adversely affect our business;

we require subcontractors to assist us in providing certain services, and we may be unable to retain the necessary subcontractors to complete certain projects;

our business growth could outpace the capability of our internal infrastructure;

seasonal and other variations, including severe weather conditions, may cause significant fluctuations in our consolidated financial condition, results of operations and cash flows;

we are subject to risks associated with climate change;

Edgar Filing: MYR GROUP INC. - Form 10-K

our failure to comply with environmental laws could result in significant liabilities;

increases in the cost of certain materials and fuel could reduce our operating margins;

we could incur liquidated damages or other damages if we do not complete our projects in the time allotted under the applicable contract, or we may be required to perform additional work if our services do not meet certain standards of quality;

opportunities within the governmental arena could lead to increased governmental regulation applicable to us;

if we fail to integrate future acquisitions successfully, our consolidated financial condition, results of operations and cash flows could be adversely affected;

our business may be affected by difficult work environments;

Table of Contents

failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, our operating results and the value of our common stock; and

provisions in our organizational documents and under Delaware law could delay or prevent a change of control of our company, which could adversely affect the price of our common stock.

WEBSITE ACCESS TO COMPANY'S REPORTS

MYR Group Inc.'s website address is *www.myrgroup.com*. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act will be available free of charge through our website as soon as reasonably possible after they are electronically filed with, or furnished to, the SEC. The information on our website is not, and shall not be deemed to be, a part of this annual report on Form 10-K or incorporated into any other filings we make with the SEC.

Table of Contents

PART 1

Item 1. Business

General

We were originally organized under the General Corporation Law of the State of Delaware in 1982 under the name The L.E. Myers Co. Group. Through our subsidiaries, we have served the utility infrastructure markets since 1891. MYR Group Inc. was created in 1995 through the merger of three long-standing specialty contractor franchises. Our operations are currently conducted by six subsidiaries: The L. E. Myers Co.; Harlan Electric Company; Hawkeye Construction, Inc.; Great Southwestern Construction, Inc.; Sturgeon Electric Company, Inc. and MYR Transmission Services, Inc. Through our operating subsidiaries, we provide utility and electrical construction services with a network of local offices located throughout the continental United States. We provide a broad range of services which includes design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair.

Our principal executive offices are located at Three Continental Towers, 1701 Golf Road, Suite 3-1012, Rolling Meadows, Illinois 60008-4210. The telephone number of our principal executive offices is (847) 290-1891, and we maintain a website at www.myrgroup.com.

From 1996 to 2000, we were a public company with our stock traded on the New York Stock Exchange ("NYSE"). In 2000, we were acquired by GPU, Inc., which was subsequently acquired by FirstEnergy Corp. ("FirstEnergy"). In 2006, ArcLight Capital and its affiliates ("ArcLight") acquired substantially all of our capital stock from FirstEnergy. On December 20, 2007 and December 26, 2007, pursuant to a private placement (the "2007 Private Placement"), we completed the sale of a total of 17,780,099 shares of our common stock at a sale price of \$13.00 per share to qualified institutional buyers, non-U.S. persons and accredited investors. We used the net proceeds from the 2007 Private Placement to redeem (a) 14,515,284 million shares of our common stock from ArcLight for approximately \$175.5 million; (b) 1,481 shares of our common stock from certain of our management stockholders for approximately \$0.02 million; and (c) 49,675 shares of our common stock underlying options held by certain members of management for approximately \$0.4 million. The remaining net proceeds from the 2007 Private Placement of \$36.6 million (after the initial purchaser's discount, placement fees and expenses) were used for general corporate purposes, including the repayment of \$20.0 million of the outstanding balance under our \$50.0 million term loan facility.

Between August 12, 2008 and September 8, 2008, our common stock was traded on the OTC Bulletin Board. Since September 9, 2008, our common stock has been traded on the NASDAQ Global Market.

Reportable Segments

We are a leading specialty contractor serving the electrical infrastructure market in the United States. We manage and report our operations through two industry segments: Transmission and Distribution ("T&D") and Commercial and Industrial ("C&I") electrical contracting services.

Transmission and Distribution. We have operated in the T&D industry since 1891. We are one of the largest national contractors servicing the T&D sector of the United States electric utility industry. Our T&D customers include more than 125 electric utilities, cooperatives and municipalities. We provide a broad range of services which includes design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair throughout the continental United States. Our T&D services include the construction and maintenance of high voltage transmission lines, substations and lower voltage underground and overhead distribution systems.

Table of Contents

In our T&D segment, we generally serve the electric utility industry as a prime contractor. We have long-standing relationships with many of our T&D customers who rely on us to construct and maintain reliable electric and other utility infrastructure. We also provide many services to our customers under multi-year master service agreements ("MSAs") and other variable-term service agreements. We focus on managing our profitability by selecting projects we believe will provide attractive margins, actively monitoring the costs of completing our projects, holding customers accountable for changes to contract specifications and rewarding our employees for keeping costs under budget.

We also provide emergency restoration services in response to hurricane, ice or other storm related damage, which typically account for less than \$25.0 million, or 4.5% of our annual consolidated revenues. In 2009, we recognized revenues from storm-related restoration services of approximately \$15.6 million, or 2.5% of our annual consolidated revenues. However, in 2008, revenues from storm related restoration services were approximately \$43.2 million, or 7.0% of our annual consolidated revenues, mainly due to significant hurricane activity in the Gulf Coast region (from Hurricanes Gustav and Ike) and ice storm activity in the Northeast region of the country.

Commercial and Industrial. We also provide C&I electrical contracting services for commercial and industrial construction in the western United States. We are focused on the Arizona and Colorado regional markets where we have achieved sufficient scale to deploy the level of resources necessary to achieve what we believe are leading market shares. We concentrate our efforts on projects where our technical and project management expertise are critical to successful and timely execution. Typical C&I contracts cover electrical contracting services for airports, hospitals, data centers, hotels, casinos, arenas, convention centers, manufacturing plants, processing facilities and transportation control and management systems.

In our C&I segment, we generally provide our electric construction and maintenance services as a subcontractor to general contractors in the C&I industry, as well as directly to facility owners. We have a diverse customer base with many long-standing relationships.

Our C&I segment also provides telecommunication installation services as well as electrical construction related to traffic and light rail signalization; these services represented less than 4.0% of our consolidated revenues for the year ended December 31, 2009, less than 6.0% of our consolidated revenues for the year ended December 31, 2008 and less than 5.0% of our consolidated revenues for the year ended December 31, 2007. Telecommunication services include fiber optic and copper communication installation for the transmission of voice, data, and video. The electrical construction services that we provide in connection with traffic and light rail signalization include ramp metering, signalized intersections, fiber optic interconnections for traffic management systems as well as highway and bridge lighting installation and maintenance.

Additional financial information related to our business segments is provided under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 17 to our Consolidated Financial Statements.

Customers

Our T&D customers include investor-owned utilities, municipal utilities, cooperatives, federally-owned utilities, independent power producers, independent transmission companies and other contractors. Our C&I customer base includes general contractors, commercial and industrial facility owners, local governments and developers in our target markets. We have long-standing relationships with many of our customers, particularly in our T&D segment, and we cultivate these relationships at all levels of our organization from senior management to project supervisors. We seek to build upon existing customer relationships to secure additional projects and to increase revenue from our current customer base. Many of our customer relationships originated decades ago and are maintained through

Table of Contents

a partnering approach, which includes project evaluation and consulting, quality performance, performance measurement and direct customer contact. At both a senior and operating unit level, management also maintains a parallel focus on pursuing growth opportunities with prospective customers. In addition, our senior management and our operating unit management teams promote and market our services for prospective large-scale projects and national accounts. We believe that our industry experience, technical expertise, customer relationships and emphasis on safety and customer service are important to us being retained by existing and new customers.

For the year ended December 31, 2007, our top 10 customers accounted for 45.8% of our revenue, of which our largest customer was Xcel Energy accounting for 10.9% of our revenue. For the year ended December 31, 2008, our top 10 customers accounted for 48.1% of our revenue, of which our largest customer was Xcel Energy accounting for 9.8% of our revenue. For the year ended December 31, 2009, our top 10 customers accounted for 55.0% of our revenue, of which our largest customer was Dominion Resources, Inc. accounting for 12.5% of our revenue. Other than Xcel Energy and PacifiCorp in both 2007 and 2008 and Dominion Resources, Inc. and MidAmerican Energy Company (parent company of PacifiCorp) in 2009, no single customer accounted for more than 6.0% of our total annual revenue in any of the previous three fiscal years. Our largest customers are generally our electric utility customers, which we believe are of a high credit quality.

For the years ended December 31, 2007, 2008 and 2009, revenues derived from T&D customers accounted for 71.2%, 72.5% and 74.3% of our total revenues, respectively. For the years ended December 31, 2007, 2008 and 2009, revenues derived from C&I customers accounted for 28.8%, 27.5% and 25.7% of our total revenues, respectively.

Types of Service Arrangements and Bidding Process

We enter into contracts principally on the basis of competitive bids. Although there is considerable variation in the terms of the contracts we undertake, our contracts are primarily structured as either fixed price or unit price agreements, pursuant to which we agree to do the work for a fixed amount for the entire project or for the particular units of work performed. We also enter into time-and-equipment contracts under which we are paid for labor and equipment at negotiated hourly billing rates and for other expenses, including materials, as incurred. On occasion, these time-and-equipment contracts require us to include a guaranteed not-to-exceed maximum price. In addition, we obtain time-and-materials contracts under which we are paid for labor at negotiated hourly billing rates and for other expenses, including materials, as incurred. Finally, we sometimes enter into cost-plus contracts, where we are paid for our costs plus a negotiated margin.

Fixed price and unit price contracts typically have the highest potential margins, but hold a greater risk in terms of profitability, since cost overruns may not be recoverable. Time-and-equipment, time-and-materials and cost-plus contracts have more limited margin upside, but generally do not bear overrun risk. Fixed price contracts accounted for 33.3% of total revenue for the year ended December 31, 2009, including 32.4% of our total revenue for our T&D segment and 35.8% of our total revenue for our C&I segment. Work in our T&D segment is generally completed under fixed price, time-and-materials, time-and-equipment, unit price and cost-plus agreements. C&I work is typically performed under fixed price, time-and-materials, cost-plus, and unit price agreements.

Our EPC contracts are typically fixed price. We may act as the prime contractor for an EPC project where we perform the procurement and construction functions but use a subcontractor to perform the engineering component or we may use a subcontractor for both engineering and procurement functions. We may also act as a subcontractor on an EPC project to an engineering or construction management firm. When acting as a subcontractor for an EPC project we typically provide construction services only, but may also perform both the construction and procurement functions.

Table of Contents

We also provide services under MSAs that cover maintenance, upgrade and extension services, as well as new construction. Work performed under MSAs is typically billed on a unit price, time-and-materials or time-and-equipment basis. MSAs are typically one to three years in duration. Under MSAs, customers generally agree to use us for certain services in a specified geographic region. However, most of our contracts, including MSAs, may be terminated by our customers or by us on short notice, typically 30 to 90 days. Furthermore, most MSA customers have no obligation to assign specific volumes of work to us and are not required to use us exclusively, although in some cases are subject to our right of first refusal. Many of our contracts, including MSAs, are open to public bid at expiration and generally attract numerous bidders.

A portion of the work we perform requires performance and payment bonds at the time of execution of the contract. Contracts generally include payment provisions pursuant to which a 5% to 10% retainage is withheld from each progress payment until the contract work has been completed and approved.

Materials

Except where an EPC contract is involved, our T&D customers generally provide the majority of the materials and supplies necessary to carry out our contracted work. For our C&I contracts, we usually procure the necessary materials and supplies. We are not dependent on one supplier for materials or supplies.

Demand for transmission products and services could strain production resources and thus could create significant lead-time for obtaining such items as large transformers, transmission towers, poles and wire. Our transmission project revenues could be significantly reduced or delayed due to the difficulty we, or our customers, may experience in obtaining required materials.

Subcontracting

We are the prime contractor for the majority of our T&D projects. We may use subcontractors to perform portions of our contracts and to manage workflow, particularly for design, engineering, procurement and some foundation work. We often work with subcontractors who are sole proprietorships or small business entities. Subcontractors normally provide their own employees, vehicles, tools and insurance coverage. We are not dependent on any single subcontractor. Contracts with subcontractors often contain provisions limiting our obligation to pay the subcontractor if our client has not paid us and is holding our subcontractors responsible for their work or delays in performance. On larger projects we may require surety bonding from subcontractors, where we deem appropriate, based on the risk involved. We occasionally perform work as a subcontractor and we may elect to do so from time-to-time on larger projects in order to manage our execution risk on certain projects.

The majority of our work in our C&I segment is done in the subcontractor role.

Competition

Our business is highly competitive in both our T&D and C&I segments. Competition in both of our business segments is primarily based on the price of the construction services rendered and upon the reputation for quality, safety and reliability of the contractor rendering these services. The competition we encounter can vary depending upon the type of construction services to be rendered and the locations in which such services are to be rendered. Additionally, the current economic environment has had an impact on the competition that we face, as fewer construction projects have lead to increased competition for projects being bid.

Table of Contents

We believe that the principal competitive factors in our industry are:

price;

safety programs and safety performance;

management team experience;

reputation and relationships with customers;

geographic presence and breadth of service offerings;

history of service execution (for example, cost control, timing and experience);

fleet and equipment;

the availability of qualified and/or licensed personnel;

adequate financial resources and bonding capacity;

inclement weather restoration abilities and reputation; and

technological capabilities.

While we believe our customers consider a number of factors when selecting a service provider, most of their work is awarded through a bid process where price is often a principal factor. See "Risk Factors Our industry is highly competitive."

T&D Competition

Our T&D segment competes with a number of companies in the local markets where we operate, ranging from small local independent companies to large national firms. The national or large regional firms that compete with us for T&D contracts include Asplundh Construction Corp., Henkels & McCoy, Inc., InfrastruX Group, MDU Resources Group, Inc., Pike Electric Corporation and Quanta Services, Inc.

There are a number of barriers to entry into the transmission services business including the cost of equipment and tooling necessary to perform transmission work, the availability of qualified labor, the scope of typical transmission projects and the technical, managerial and supervisory skills necessary to complete the job. Larger transmission projects generally require specialized heavy duty equipment as well as stronger financial resources to meet the cash flow, bonding, or letter of credit requirements of these projects. These factors sometimes reduce the number of potential competitors on these projects. The number of firms that generally compete for any one significant transmission infrastructure project varies greatly depending on a number of factors, including the size of the project, its location and the bidder qualification requirements imposed upon contractors by the customer. Many of our competitors restrict their operations to one geographic area while others operate nationally as we do.

Compared to the transmission markets, there are fewer significant barriers to entry in the distribution markets in which we operate. As a result, any organization that has adequate financial resources and access to technical expertise can compete for distribution projects. Instead of outsourcing to us, some of our T&D customers also employ personnel internally to perform the same type of services that we provide.

C&I Competition

Our C&I segment competes with a number of regional or small local firms and subsidiaries of larger, national firms.

Table of Contents

Competition for our C&I construction services varies greatly. There are few significant barriers to entry in the C&I business, and there are a number of small companies that compete for C&I business. Size, location and technical requirements of the project will impact which competitors and the number of competitors that we will encounter on any particular project.

A major competitive factor in our C&I segment is the individual relationships that we and our competitors have developed with general contractors who typically control the bid process. Additionally, the equipment requirements for C&I work are generally not as significant as that of T&D construction. Since C&I construction typically involves the purchase of materials, the financial resources to meet the materials procurement and equipment requirements of a particular project may impact the competition that we encounter. Although certain of our competitors for this type of work operate nationally, the majority of our competition operates locally or regionally. In the majority of cases involving maintenance services provided by us, our customers will also perform some or all of these types of services internally as well. We differentiate ourselves from our competitors by bidding for larger and/or more technically complex projects, which we believe many of our smaller competitors may not be capable of executing effectively or profitably. We also focus our efforts in growing markets where we have built strong relationships with existing customers.

We believe that we have a favorable competitive position in the markets that we serve due in part to our strong operating history and strong local market share as well as our reputation and relationships with our customers. Small third-party service providers pose a smaller threat to us than national competitors because they are frequently unable to compete for larger, blanket service agreements to provide system-wide coverage.

Project Bonding Requirements

Historically, approximately 20.0 to 40.0% of our annual volume of business requires performance bonds or other means of financial assurance to secure contractual performance. These bonds are typically issued at the face value of the contract awarded. As of December 31, 2009, we had approximately \$234.8 million in surety bonds outstanding for projects in our T&D segment and \$176.0 million for projects in our C&I segment. The ability to post surety bonds provides us with a competitive advantage over smaller or less financially secure competitors. We believe that the strength of our balance sheet, as well as our strong and long-standing relationship with our bonding provider, enhances our ability to obtain adequate financing and surety bonds.

Backlog

We refer to our estimated revenue on uncompleted contracts, including the amount of revenue on contracts for which work has not begun, less the revenue we have recognized under such contracts as "backlog." We calculate backlog differently for different types of contracts. For our fixed price contracts, we include the full remaining portion of the contract in our calculation of backlog. For our unit price, time-and-equipment, time-and-materials and cost-plus contracts, our projected revenue for a three-month period is included in the calculation of backlog, regardless of the duration of the contract, which typically exceeds such three-month period. These types of contracts are generally awarded as part of MSAs which typically have a one- to three-year duration from execution. Given the duration of our contracts and MSAs and our method of calculating backlog, our backlog at any point in time may not accurately represent the revenue that we expect to realize during any period and our backlog as of the end of a fiscal year may not be indicative of the revenue we expect to generate in the following fiscal year and should not be viewed or relied upon as a stand-alone indicator. See "Item 1A. Risk Factors Backlog may not be realized or may not result in profits."

Table of Contents

Set forth below is our backlog as of December 31, 2008 and 2009 (dollars in millions):

	December 31,		
	2008	2009	% Change
T&D	\$ 243.4	\$ 133.2	(45.3)%
C&I	72.6	71.2	(1.9)%
Total	\$ 316.0	\$ 204.4	(35.3)%

Certain of the projects that we undertake are not completed in one accounting period. Revenue on construction contracts is recorded based upon the percentage-of-completion accounting method determined by the ratio of costs incurred to date on the contracts (excluding uninstalled direct materials) to management's estimates of total contract costs. Projected losses are provided for in their entirety when identified. There can be no assurance as to the accuracy of our customers' requirements or our estimates of existing and future needs under MSAs, which may consist of variable contractual elements; therefore, our current backlog may not be realized as part of our future revenues.

Trade Names and Intellectual Property

We operate under a number of trade names, including MYR Group Inc., The L. E. Myers Co., Harlan Electric Company, Hawkeye Construction, Inc., Great Southwestern Construction, Inc., Sturgeon Electric Company, Inc. and MYR Transmission Services, Inc. We do not generally register our trade names with the United States Patent and Trademark Office, but instead rely on state and common law protection. While we consider our trade names to be valuable assets, we do not consider any single trade name to be of such material importance that its absence would cause a material disruption to our business. Likewise, our operations do not materially rely upon any patents, licenses or other intellectual property.

Equipment

Because we have operated in the T&D industry since 1891, we have been instrumental in designing much of the specialty tools and equipment used in the industry, including wire pullers, wire tensioners, aerial devices and more. We operate a fleet of owned and leased trucks and trailers, support vehicles and specialty construction equipment, such as tension stringing machines, bulldozers, bucket trucks, digger derricks and cranes. We also rely on specialized tooling, including stringing blocks, wire grips and presses. Our fleet is comprised of approximately 5,000 units, including approximately 2,500 pieces of specialty equipment. We believe that our vehicles are well maintained and adequate for present operations. The standardization of our trucks and trailers allows us to minimize training, maintenance and parts costs. Our fleet group is staffed by over 100 mechanics and equipment managers and we operate 14 maintenance shops throughout the United States to service our fleet. Our ability to internally service our fleet in various markets allows us to reduce repair costs and the time equipment is out of service by eliminating the need to ship equipment long distances for repair as well as dependence on third party maintenance providers. Our maintenance shops are also able to modify standard construction equipment to meet the specific needs of our specialty applications. We are a final-stage manufacturer for several configurations of our specialty vehicles and in the event that a particular piece of equipment is not available to us, we can build the component on-site, which reduces our reliance on our equipment suppliers.

Our fleet of equipment is managed by our centralized fleet management group. Since our fleet is highly mobile, we typically have the ability to shift resources from region-to-region quickly and to effectively respond to customer needs or major weather events. Our centralized fleet management group is designed to enable us to optimize and maintain our equipment to achieve the highest equipment utilization which helps to maintain a competitive position with respect to our equipment

Table of Contents

costs. We develop internal equipment rates to reflect our true equipment costs, which, in turn provides our business units with appropriate pricing levels to estimate their bids for new projects more accurately. We also involve our business units in prioritizing the use of our fleet assets. The group also manages the procurement of additional equipment through our capital budget, operating leases and short-term rentals. All of these factors are critical in meeting our customers' needs while allowing us to operate efficiently and to improve margins. Over the last few years, we have increased capital expenditures on our fleet and we believe these increases will reduce our operating costs over the long-term.

Regulation

While we are not regulated as a public utility, our operations are subject to various federal, state and local laws and regulations including:

licensing, permitting and inspection requirements applicable to electricians and engineers;

building and electrical codes;

permitting and inspection requirements applicable to construction projects;

regulations relating to worker safety and environmental protection; and

special bidding and procurement requirements on government projects.

In addition, we conduct a portion of our business in the southwestern United States, where we run a more significant risk of disturbing Native American artifacts and archeological sites. If we encounter artifacts on a site on one of our construction projects, we may need to halt operation while construction is moved or steps are taken to comply with local law and the Archaeological Resources Protection Act of 1979 ("ARPA"). In addition, under ARPA we may be subject to fines or criminal sanctions if we disturb or damage protected sites.

We believe that we are in material compliance with applicable regulatory requirements and have all material licenses required to conduct our operations. Our failure to comply with applicable regulations could result in substantial fines and/or revocation of our operating licenses. Our non-compliance with such regulations could also affect our ability to benefit from certain federal stimulus programs.

Environmental Matters

As a result of our construction, maintenance and repair services, we are subject to numerous federal, state and local environmental laws and regulations governing our operations, including the use, transport and disposal of non-hazardous and hazardous substances and wastes, as well as emissions and discharges into the environment, including discharges to air, surface water, groundwater and soil. We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, such liabilities can be imposed for cleanup of previously owned or operated properties, or properties to which hazardous substances or wastes were discharged by current or former operations at our facilities, regardless of whether we directly caused the contamination or violated any law at the time of discharge or disposal. The presence of contamination from such substances or wastes could interfere with ongoing operations or adversely affect our ability to sell, lease or otherwise use our properties in ways such as collateral for possible financing. We could also be held liable for significant penalties and damages under certain environmental laws and regulations, which could materially and adversely affect our business and results of operations.

Based on information currently available, we believe that our compliance with environmental laws and regulations will not have a material effect on our financial condition, results of operations and cash

Table of Contents

flows. However, we are unable to estimate with certainty the potential impact of future compliance efforts and environmental remediation actions.

Additionally, there are significant environmental regulations under consideration to encourage the use of clean energy technologies and regulate emissions of greenhouse gases to address climate change. We regularly monitor the various proposals in this regard. Although the impact of climate change regulations on our business will depend on the specifics of state and federal policies, legislation, and regulation, we believe that we will be well-positioned to adapt our business to meet new regulations. See "Item 1A. Risk Factors We are subject to risks associated with climate change" and "Item 1A. Risk Factors Our failure to comply with environmental laws could result in significant liabilities."

Seasonality

Although our revenues are primarily driven by spending patterns in our customers' industries, our revenues, particularly those derived from our T&D segment, and results of operations can be subject to seasonal variations. These variations are influenced by weather, hours of daylight, customer spending patterns, availability of system outages from utilities, bidding seasons and holidays. Extended periods of rain can affect the deployment of our crews. During the winter months, demand for our work is generally lower due to inclement weather. During the summer months, the demand for our work may be affected by peak electrical demands from warmer weather conditions, which reduces the availability of system outages during which we can perform electrical line service work. During the spring and fall months, the demand for our work generally increases due to improved weather conditions.

We also provide storm restoration services to our T&D customers. These services tend to have a higher profit margin and normally offset some of the negative financial effects that severe weather can have on normal T&D operations, such as lost revenues in connection with weather-related delays in our construction, maintenance and repair work. Storm restoration service work is highly unpredictable and can cause our results of operations to vary greatly from period to period. We do not view storm restoration as a major revenue source, as revenues from storm restoration services are typically less than \$25.0 million, or approximately 4.5% of our annual consolidated revenues. In 2009, we recognized revenues from storm-related restoration services of approximately \$15.6 million, or 2.5% of our annual consolidated revenues. However, in 2008, we recognized approximately \$43.2 million, or 7.0% of our annual consolidated revenues, in storm related restoration services mainly due to significant hurricane activity in the Gulf Coast region (Hurricanes Gustav and Ike) and ice storm activity in the Northeast region of the country.

Our revenues will also fluctuate based on the timing of our large contracts. As a result of the positive and negative effects of weather-related events on the services we provide and timing effect of our large contracts, it is difficult to predict recurring trends for our T&D business.

Employees

We seek to attract and retain highly qualified hourly employees by providing a superior work environment through our emphasis on safety, our high quality fleet of equipment, and our competitive compensation. The number of individuals we employ varies significantly throughout the year, typically with lower staffing levels at year end and through the winter months when fewer projects are active. The number of hourly employees fluctuates depending on the number and size of projects at any particular time. As of December 31, 2009, we had approximately 3,000 employees, consisting of approximately 500 salaried employees including executive officers, district managers, project managers, superintendents, estimators, office managers, and staff and clerical personnel, and approximately 2,500 hourly employees. Approximately 94% of our hourly-rated employees were members of the International Brotherhood of Electrical Workers ("IBEW"), AFL-CIO and are represented by approximately 90 local unions under agreements with generally uniform terms and varying expiration

Table of Contents

dates. We generally are not direct parties to such local agreements, but instead these agreements are entered into by and between the IBEW local and the National Electrical Contractors Association ("NECA"), of which we are a member. NECA negotiates the terms of these agreements on our behalf. On occasion we will also employ individuals who are members of other trade unions pursuant to multi-employer, multi-union project agreements.

Executive Officers

Name	Age	Position
William A. Koertner	60	Chairman, President and Chief Executive Officer
Gerald B. Engen, Jr.	59	Senior Vice President, Chief Legal Officer and Secretary
John A. Fluss	58	Group Vice President
William H. Green	66	Senior Vice President and Chief Operating Officer
Marco A. Martinez	44	Vice President, Chief Financial Officer and Treasurer
Richard S. Swartz, Jr.	46	Senior Vice President

William A. Koertner has served as chairman since December 2007. Mr. Koertner joined us in 1998 as senior vice president, treasurer and chief financial officer and became our president and chief executive officer in December 2003. Prior to joining us, Mr. Koertner served as vice president at Central Illinois Public Service Company from 1989 until 1998.

Gerald B. Engen, Jr. has served as senior vice president, chief legal officer and secretary since August 2009. Between November 2002 and August 2009, Mr. Engen served as vice president, chief legal officer and secretary. Mr. Engen joined us as an assistant general counsel in September 2000 from Wells, Love & Scoby, LLC, a law firm specializing in construction law.

John A. Fluss joined us in 1973 and has served as group vice president since 2002. Mr. Fluss has held a number of positions during his 36 years of employment with us including vice president of line operations, district manager and district estimator.

William H. Green has served as senior vice president and chief operating officer since December 2003. Prior to December 2003, Mr. Green served as a group vice president.

Marco A. Martinez has served as vice president, chief financial officer and treasurer since December 2003. Mr. Martinez served as our director of finance from 2000 until December 2003. From 1997 until 2000, Mr. Martinez served as the controller for several of our operating subsidiaries.

Richard S. Swartz, Jr. has served as senior vice president since August 2009. Mr. Swartz served as a group vice president from 2004 to 2009. Prior to becoming a group vice president, Mr. Swartz served as our vice president transmission & distribution central division from 2002 to 2004. Mr. Swartz has held a number of additional positions since he joined us in 1982, including project foreman, superintendent, project manager and district manager.

Table of Contents

Item 1A. Risk Factors.

RISK FACTORS

You should read the following risk factors carefully in connection with evaluating our business and the forward-looking information contained in this annual report on Form 10-K. Any of the following risks could materially adversely affect our business, operating results, financial condition and the actual outcome of matters as to which forward-looking statements are made in this annual report on Form 10-K. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, performance or financial condition in the future.

Our operating results may vary significantly from year to year.

Our results may be materially and adversely affected by:

the timing and volume of work under contract;

regional and general economic conditions and the current condition of the financial markets;

the budgetary spending patterns of customers;

variations in the margins of projects performed during any particular reporting period;

a change in the demand for our services and increased costs of performance of our services caused by severe weather conditions;

increases in design and construction costs that we are unable to pass through to our customers;

the termination or expiration of existing agreements;

losses experienced in our operations not otherwise covered by insurance;

a change in the mix of our customers, contracts and business;

payment risk associated with the financial condition of our customers;

cost overruns on fixed price and unit price contracts;

availability of qualified labor for specific projects;

changes in bonding requirements applicable to existing and new agreements; and

costs we incur to support growth internally or through acquisitions or otherwise.

Accordingly, our operating results in any particular reporting period may not be indicative of the results that you can expect for any other reporting period.

We are unable to predict the impact of the current economic conditions in the financial markets and the resulting constraints in obtaining financing on our business and financial results.

Our principal sources of cash come from our operating activities and the availability of bank borrowings under our credit facility, which expires in 2012. Our credit facility contains numerous covenants and requires us to meet and maintain certain financial ratios and other tests. General business and economic conditions may affect our ability to comply with these covenants or meet those financial ratios and other tests, which may limit our ability to borrow under the facility.

Additionally, the current economic conditions in the financial and credit markets have resulted in unprecedented levels of volatility and disruption on financial institutions, putting downward pressure on financial and other asset prices overall and on the credit availability for many issuers. Due to the current credit environment, it may be more difficult for us to obtain the necessary financing if needed

Table of Contents

and it is likely to be more difficult to refinance or restructure our existing debt if it becomes necessary or desirable to do so. Restrictions in the availability of credit could cause us to forgo otherwise attractive business opportunities and could require us to modify our business plan. We will continue to closely monitor our liquidity and the overall condition of the financial markets; however, we can give no assurance that we will be able to obtain such financing either on favorable terms or at all in the future.

The recent instability of the financial markets and adverse economic conditions could have a material adverse effect on the ability of our customers to perform their obligations to us.

Due to the instability of the financial markets and other economic challenges currently affecting the global economy, our current or potential future customers may experience serious cash flow problems and as a result, may modify, delay, or cancel plans to purchase our services. Additionally, if customers are not successful in generating sufficient revenue or are precluded from securing financing, they may not be able to pay, or may delay payment of, accounts receivable that are owed t