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, 2010

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	**20-4743916**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
26000 Commercentre Drive, Lake Forest, California	**92630**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s telephone number, including area code: **(949) 598-9242**

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 o 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

As of August 5, 2010, 44,909,619 shares of the registrant s common stock were outstanding.

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PRIMORIS SERVICES CORPORATION

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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, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 87,283	$ 90,004
Short term investments	33,000	30,058
Restricted cash	9,310	6,845
Accounts receivable, net	121,928	108,492
Costs and estimated earnings in excess of billings	22,091	11,378
Inventory	19,922	22,275
Deferred tax assets	5,630	5,630
Prepaid expenses and other current assets	12,375	5,501
Current assets from discontinued operations		5,304
Total current assets	311,539	285,487
Property and equipment, net	97,269	92,568
Investment in non-consolidated entities	3,133	5,599
Intangible assets, net	29,818	32,695
Goodwill	59,678	59,678
Total assets	$ 501,437	$ 476,027
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 64,392	$ 62,568
Billings in excess of costs and estimated earnings	117,572	114,035
Accrued expenses and other current liabilities	37,819	34,992
Distributions and dividends payable	1,107	2,987
Current portion of long-term debt	9,694	6,482
Current portion of capital leases	3,537	4,220
Current portion of subordinated debt	10,575	10,397
Current liabilities of discontinued operations	733	6,511
Total current liabilities	245,429	242,192
Long-term debt, net of current portion	39,922	26,368
Long-term capital leases, net of current portion	6,512	7,734
Long-term subordinated debt, net of current portion	35,758	43,853
Deferred tax liabilities	2,643	2,643
Contingent earnout liabilities	9,910	9,278
Other long-term liabilities	1,354	

Total liabilities		341,528		332,068
Commitments and contingencies				
Stockholders equity				
Preferred stock $.0001 par value, 1,000,000 shares authorized, 0 issued and outstanding at June 30, 2010 and 81,852.78 at December 31, 2009				
Common stock $.0001 par value, 90,000,000 shares authorized, 44,238,611 and 32,704,903 issued and outstanding at June 30, 2010 and December 31, 2009		4		3
Additional paid-in capital		105,348		100,644
Retained earnings		54,557		42,982
Accumulated other comprehensive income				330
Total stockholders equity		159,909		143,959
Total liabilities and stockholders equity	$	501,437	$	476,027

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, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues	$ 203,187	$ 119,610	$ 378,169	$ 243,160
Cost of revenues	176,551	98,867	327,060	207,911
Gross profit	26,636	20,743	51,109	35,249
Selling, general and administrative expenses	15,823	8,143	29,269	15,559
Operating income	10,813	12,600	21,840	19,690
Other income (expense):				
Income from non-consolidated entities	1,756	1,736	2,724	3,903
Foreign exchange gain (loss)	94	(26)	186	203
Other expense	(322)		(631)	
Interest income	153	205	333	464
Interest expense	(1,220)	(539)	(2,527)	(1,065)
Income from continuing operations, before provision for income taxes	11,274	13,976	21,925	23,195
Provision for taxes	(4,187)	(5,355)	(8,140)	(8,954)
Income from continuing operations	7,087	8,621	13,785	14,241
Loss on discontinued operations, net of income taxes		(41)		(21)
Net income	$ 7,087	$ 8,580	$ 13,785	$ 14,220
Earnings per share:				
Basic:				
Income from continuing operations	$ 0.16	$ 0.26	$ 0.36	$ 0.45
Income on discontinued operations	$	$	$	$
Net income	$ 0.16	$ 0.26	$ 0.36	$ 0.45
Diluted:				
Income from continuing operations	$ 0.16	$ 0.26	$ 0.30	$ 0.44
Income on discontinued operations	$	$	$	$
Net income	$ 0.16	$ 0.26	$ 0.30	$ 0.44
Weighted average common shares outstanding:				
Basic	43,163	32,477	38,210	31,303
Diluted	45,407	32,835	45,451	32,477

See Accompanying Notes to Condensed Consolidated Financial Statements

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PRIMORIS SERVICES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In Thousands, Except Share Amounts)

(Unaudited)

	Common Stock		**Preferred Stock**		**Additional Paid-in**	**Retained**	**Accum. Other Comprehensive**	**Total Stockholders**
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Earnings**	**Income**	**Equity**
Balance, December 31, 2008	29,977,339	$ 3		$	$ 34,796	$ 20,528	$ 103	$ 55,430
Net income						25,912		25,912
Issuance of common shares to Former Primoris owners	2,500,025							
Stock issued for the purchase of Cravens Services, Inc.	139,082				1,000			1,000
Repurchase of warrants					(94)			(94)
Dividends common						(3,254)		(3,254)
Dividends preferred						(204)		(204)
Foreign currency hedge effect							227	227
Preferred stock issued for purchase of James Construction Group			81,852.78		64,500			64,500
Warrant exercises	88,457				442			442
Balance, December 31, 2009	32,704,903	$ 3	81,852.78	$	$ 100,644	$ 42,982	$ 330	$ 143,959
Net income						6,698		6,698
Issuance of common shares to Former Primoris owners	2,499,975				390			390
Additional contingent stock issued for the purchase of Cravens Services, Inc.	74,906				600			600
Dividends common						(898)		(898)
Dividends preferred						(205)		(205)
Foreign currency hedge effect							(178)	(178)
Warrant exercises	620,699				3,104			3,104
Balance, March 31, 2010	35,900,483	$ 3	81,852.78	$	$ 104,738	$ 48,577	$ 152	$ 153,470
Net income						7,087		7,087
Cancelled shares foreign manager sale of discontinued operations	(49,080)				(400)			(400)
Conversion of JCG preferred stock to common stock	8,185,278	1	(81,852.78)					1
Dividends common						(1,107)		(1,107)
Foreign currency hedge effect							(152)	(152)
Warrant exercises	201,930				1,010			1,010
Balance, June 30, 2010	44,238,611	$ 4		$	$ 105,348	$ 54,557	$	$ 159,909

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, 2010	Six Months Ended June 30, 2009
Cash flows from operating activities:		
Net income	$ 13,785	$ 14,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,303	3,862
Amortization of intangible assets	2,877	18
Gain on sale of property and equipment	(1,228)	(1,499)
Income from non-consolidated entities	(2,724)	(3,903)
Non-consolidated entity distributions	5,190	3,400
Loss on discontinued operations		(21)
Changes in assets and liabilities:		
Restricted cash	(2,465)	230
Accounts receivable	(13,436)	(4,859)
Costs and estimated earnings in excess of billings	(10,713)	5,118
Inventory, prepaid expenses and other current assets	(4,851)	31
Accounts payable	1,824	(5,817)
Billings in excess of costs and estimated earnings	3,537	(5,139)
Accrued expenses and other current liabilities	3,068	(1,976)
Contingent earnout liabilities	631	
Other long-term liabilities	1,354	
Net cash provided by operating activities	5,152	3,665
Cash flows from investing activities:		
Purchase of property and equipment	(13,789)	(3,058)
Proceeds from sale of property and equipment	2,013	1,652
Purchase of short-term investments	(2,942)	(55)
Advances to non-consolidated entities		(1,036)
Net cash used in investing activities	(14,718)	(2,497)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	20,000	
Repayment of long-term debt	(3,234)	(3,956)
Repayment of capital leases	(1,905)	(957)
Repayment of subordinated debt	(7,166)	
Proceeds from exercise of warrants for the issuance of common stock	4,114	
Repurchase of warrants		(93)
Dividends paid	(2,124)	(1,561)
Cash distributions to selling stockholders	(1,966)	(4,947)
Net cash provided (used) in financing activities	7,719	(11,514)
Cash flows from discontinued operations:		
Operating activities	(874)	(3,281)
Net cash provided (used) in discontinued operations	(874)	(3,281)
Net change in cash and cash equivalents	(2,721)	(13,627)
Cash and cash equivalents at beginning of the period	90,004	72,848
Cash and cash equivalents at end of the period	$ 87,283	$ 59,221

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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	Six Months Ended June 30, 2010 (Unaudited)	Six Months Ended June 30, 2009 (Unaudited)
Cash paid during the period for:		
Interest	$ 2,527	$ 1,065
Income taxes	$ 7,688	$ 11,100

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Six Months Ended June 30, 2010 (Unaudited)	Six Months Ended June 30, 2009 (Unaudited)
Non-cash activities:		
Accrued dividends	$ 1,107	$ 812

See Accompanying Notes to Condensed Consolidated Financial Statements

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PRIMORIS SERVICES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands, Except Per Share Amounts)

(Unaudited)

Note 1 Business Activity

Organization and operations Primoris Services Corporation, a Delaware corporation (Primoris , the Company , we , us or our), and its wholly-owned subsidiaries ARB, Inc. (ARB), ARB Structures, Inc., Onquest, Inc., James Construction Group, LLC (JCG), Cravens Services, Inc. (Cravens), Born Heaters Canada, ULC, Cardinal Contractors, Inc., GML Coatings, LLC, Cardinal Mechanical, L.P. and Stellaris, LLC, 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. The Company s industrial, civil and engineering operations construct and provide maintenance services to industrial facilities including power plants, petrochemical facilities and other processing plants and construct multi-level parking structures.

On December 18, 2009, the Company acquired JCG. JCG is one of the largest general contractors based in the Gulf Coast states and is engaged in highway, industrial and environmental construction, primarily in Louisiana, Texas and Florida. JCG is the successor company to T. L. James and Company, Inc., a well-known Louisiana company that has been in business for over 80 years. Headquartered in Baton Rouge, Louisiana, JCG serves both government and private clients.

Corporate headquarters for the Company are located in Lake Forest, California.

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, 2010 and 2009 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, 2010 (the Second Quarter 2010 Report) should be read in concert with the Company s Annual Report on Form 10-K, filed on March 11, 2010, which contains the Company s audited consolidated financial statements for the year ended December 31, 2009.

The interim financial information for the three-month and six-month periods ended June 30, 2010 and 2009 is unaudited and has been prepared on the same basis as the audited financial statements. However, the financial statements contained in this Second Quarter 2010 Report do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America (GAAP) for audited financial statements. 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.

Certain amounts in prior periods have been reclassified in order to conform to the present period financial statement presentation. Specifically, the prior period financial information was revised to conform to our current presentation of continuing and discontinued operations (see Note 10, *Discontinued Operations*).

Revenue recognition A number of factors relating to the business of the Company affect the recognition of contract revenue. The Company typically structures contracts as unit-price, time and material, fixed-price or cost plus fixed fee. Revenue is recognized on the percentage-of-completion method for all fixed-price contracts. Under the percentage-of-completion method, estimated contract revenue and resulting income is generally accrued based on costs incurred to date as a percentage of total estimated costs. Total estimated costs are impacted by changes in productivity, scheduling, the cost of labor, subcontracts, materials and equipment and other unforeseen events. 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. If a current estimate of total contract cost determines a loss on a contract, the projected loss is recognized in full.

The caption *Costs and estimated earnings in excess of billings* represents the excess of contract revenues from fixed-priced contracts recognized under the percentage-of-completion method over billings to date. For those fixed-priced contracts in which billings exceed contract revenues recognized to date, excesses are included in the caption *Billings in excess of costs and estimated earnings* .

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Revenues on cost-plus and time and materials contracts are recognized as the related work is completed.

In accordance with the terms of our contracts, certain retainage provisions are withheld by customers until completion and acceptance of the contracts. Final payments of the majority of such amounts are expected to be received in the following operating cycle, which is typically within a year.

Note 3 Recent Accounting Pronouncements

Fair Value Disclosures

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements* (an update to ASC Topic 820 *Fair Value Measurements and Disclosures*). ASU 2010-06 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements should be presented separately. This ASU is effective for annual and interim reporting periods beginning after December 15, 2009 for most of the new disclosures and for periods beginning after December 15, 2010 for the new Level 3 disclosures. Comparative disclosures are not required in the first year the disclosures are required. As of January 1, 2010, the Company adopted this accounting standard update, which did not result in a material impact on our financial statements.

Consolidation of Variable Interest Entities

In June 2009, the FASB issued an amendment to an accounting standard for ASC Topic 810 Consolidation , (formerly referred to as Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46R* (SFAS 167)) which sets rules for determining whether to consolidate an entity that is insufficiently capitalized or is not controlled through voting (or similar rights). These rules are based on an entity s purpose and design and the company s ability to direct the activities that most significantly impact the entity s economic performance. SFAS 167 requires additional disclosures about the reporting company s involvement with variable-interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the company s financial statements. The accounting standard became effective January 1, 2010. The adoption of this amendment did not result in a material impact on our financial statements.

Note 4 Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures* , defines fair value, establishes a framework for measuring fair value in GAAP and requires certain disclosures about fair value measurements. ASC Topic 820 addresses fair value GAAP for financial assets and financial liabilities that are re-measured and reported at fair value at each reporting period and for non-financial assets and liabilities that are re-measured and reported at fair value on a recurring basis, which included goodwill and intangible assets for purposes of impairment assessments.

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 the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The following table presents, using 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, 2010 and December 31, 2009:

		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, 2010:				
Cash and cash equivalents	$ 87,283	$ 87,283		
Short-term investments	$ 33,000	$ 33,000		
Assets as of December 31, 2009:				
Cash and cash equivalents	$ 90,004	$ 90,004		
Short-term investments	$ 30,058	$ 30,058		
Other assets hedge contracts	$ 266		$ 266	

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In addition to the assets listed in the table, other short-term financial assets and liabilities of the Company consist of accounts receivable, accounts payable and certain accrued liabilities. These financial assets and liabilities generally approximate fair market 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.

Note 5 Accounts Receivable

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

		June 30, 2010		December 31, 2009
Contracts receivable, net of allowance for doubtful accounts of $200 for June 30, 2010 and for December 31, 2009	$	105,021	$	82,254
Retention		15,560		25,907
		120,581		108,161
Due from affiliates		1		
Other accounts receivable		1,346		331
	$	121,928	$	108,492

Amounts due from affiliates primarily relate to receivables from related parties (see Note 7, *Equity Method Investments* and Note 14, *Related Party Transactions*) for the performance of construction contracts. Contract revenues earned from related parties were approximately $362 and $5,611 for the three months, and $1,288 and $11,319 for the six months ended June 30, 2010 and 2009, respectively.

Note 6 Costs and Estimated Earnings on Uncompleted Contracts

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

		June 30, 2010		December 31, 2009
Costs incurred on uncompleted contracts	$	1,741,409	$	2,036,251
Provision for estimated loss on uncompleted contracts		539		332
Gross profit recognized		164,044		201,254
		1,905,992		2,237,837
Less: billings to date		(2,001,473)		(2,340,494)
	$	(95,481)	$	(102,657)

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

		June 30, 2010		December 31, 2009
Costs and estimated earnings in excess of billings	$	22,091	$	11,378
Billings in excess of costs and estimated earnings		(117,572)		(114,035)
	$	(95,481)	$	(102,657)

Note 7 Equity Method Investments

Otay Mesa Power Partners

During 2007, the Company established a joint venture, Otay Mesa Power Partners (OMPP), for the sole purpose of constructing a power plant near San Diego, California. The Company has a 40% interest in the venture and accounts for its investment in OMPP using the equity method. ARB acts as one of OMPP s primary subcontractors. As of June 30, 2010, ARB had total project contracts with OMPP amounting to $49,019, which are essentially complete. ARB recognized $83 in related party revenues in the six months ended June 30, 2010 and

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$10,384 in the six months ended June 30, 2009. These revenues are included in the contract revenues earned from related parties as stated in Note 5, *Accounts Receivable*. The following is a summary of the financial position and results as of and for the periods ended:

	June 30, 2010	December 31, 2009
OMPP Joint Venture		
Balance sheet data		
Assets	$ 350	$ 9,176
Liabilities	238	1,493
Net assets	$ 112	$ 7,683
Company s equity investment in venture	$ 67	$ 4,610

	Three months ended June 30 2010	2009	Six months ended June 30, 2010	2009
Earnings data:				
Revenue	$	$ 34,494	$	$ 78,386
Gross profit	$	$ 4,473	$	$ 15,558
Earnings before taxes	$	$ 4,475	$	$ 15,563
Company s equity in earnings	$	$ 2,700	$	$ 5,085

OMPP distributed $7,571 to its equity holders during the six months ended June 30, 2010, of which the Company s share, as calculated under the joint venture agreement, was $4,543. For the six months ended June 30, 2009, OMPP distributed $8,500, of which the Company s share was $3,400. The OMPP agreement states that distributions made prior to the completion of the contract are considered advances on account of each partner s share as determined at the completion of the underlying contract.

All Day Electric

The Company purchased a 49% interest in All Day Electric (All Day) in December 2008 for $500 and accounts for this investment under the equity method. All Day engages in electrical construction activities mainly in Northern California. ARB recognized $1,205 in related party revenues in the six months ended June 30, 2010 and $234 in the six months ended June 30, 2009. The following is a summary of the financial position and results as of and for the periods ended:

	June 30, 2010	December 31, 2009
All Day Electric		
Balance sheet data		
Assets	$ 3,983	$ 5,661
Liabilities	3,371	4,615
Net assets	$ 612	$ 1,046
Company s equity investment in venture	$ 300	$ 513

	Three months ended June 30 2010	2009	Six months ended June 30, 2010	2009

Earnings data:								
Revenue	$	4,003	$	2,299	$	6,906	$	3,270
Gross profit	$	243	$	456	$	139	$	584
Net income	$	(24)	$	147	$	(434)	$	(298)
Company s equity in earnings	$	(11)	$	72	$	(213)	$	(146)

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St. Bernard Levee Partners

The Company purchased a 30% interest in St. Bernard Levee Partners (Bernard) for $300 and accounts for this investment under the equity method. Bernard engages in construction activities in Louisiana. Bernard distributed $3,177 to its equity holders during the six months ended June 30, 2010, of which the Company s share, as calculated under the joint venture agreement, was $648. The following is a summary of the financial position and results as of and for the periods ended: