UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

January 11, 2021
Date of Report (Date of earliest event reported)

Primoris Services Corporation

(Exact name of Registrant as specified in its charter)

Delaware	**001-34145**	**20-4743916**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

2300 N. Field Street, Suite 1900, Dallas, Texas 75201
(Address of principal executive offices)
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	PRIM	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

On January 15, 2021, Primoris Services Corporation, a Delaware corporation ("we," "us," "our," "Primoris" or the "Company"), filed a Current Report on Form 8-K (the "Original Form 8-K") to report the completion of its acquisition of Future Infrastructure Holdings, LLC ("Future"). The Original Form 8-K did not include the financial statements of Future or the pro forma unaudited financial information of the combined company. This Amendment No.1 to the Original Form 8-K (the "Amended Form 8-K") is filed to include the financial statement information required under Item 9.01 of Form 8-K in connection with the acquisition of Future.

This Amended Form 8-K amends the Original Form 8-K to include the financial statements and pro forma financial information required by Item 9.01 of Form 8-K. Except for the filing of such financial statements and pro forma information, this Amended Form 8-K does not modify or update other disclosures in, or exhibits to, the Original Form 8-K.

Item 9.01 Exhibits

(a) *Financial statements of business acquired.*

The audited consolidated financial statements of Future as of and for the years ended December 31, 2020 and 2019 is filed as Exhibit 99.1 to this Amended Form 8-K and incorporated by reference herein.

(b) *Pro forma financial information.*

The required unaudited pro forma consolidated combined financial information with respect to the Company's acquisition of Future is filed as exhibit 99.2 to this Amended Form 8-K and incorporated by reference herein.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Grant Thornton LLP.
99.1	The audited consolidated financial statements of Future as of and for the years ended December 31, 2020 and 2019.
99.2	Unaudited pro forma consolidated combined financial statements as of and for the year ended December 31, 2020.
104	Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRIMORIS SERVICES CORPORATION

Dated: March 9, 2021

By: /s/ Kenneth M. Dodgen
Kenneth M. Dodgen
Executive Vice President, Chief Financial Officer

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated March 9, 2021, with respect to the consolidated financial statements of Future Infrastructure Holdings, LLC and subsidiaries included in the Current Report of Primoris Services Corporation on Form 8-K/A dated March 9, 2021. We consent to the incorporation by reference of said report in the Registration Statements of Primoris Services Corporation on Forms S-3 (File No. 333-248535, File No. 333-161331 and File No. 333-174602) and on Forms S-8 (File No. 333-252160, File No. 333-188553 and File No. 333-159491).

/s/ GRANT THORNTON LLP

Dallas, Texas
March 9, 2021

Exhibit 99.1

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Future Infrastructure Holdings, LLC and Subsidiaries

December 31, 2020 and 2019

Contents

GRANT THORNTON LLP

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Dallas, TX 75201

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Members
Future Infrastructure Holdings, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Future Infrastructure Holdings, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Future Infrastructure Holdings, LLC and subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Dallas, Texas
March 9, 2021

Future Infrastructure Holdings, LLC and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 8,345,919	$ 6,572,608
Accounts receivable, net of allowance for doubtful accounts of $836,298 and $700,000, respectively	69,125,712	60,545,140
Costs and profits in excess of billings	37,611,244	25,241,942
Prepaid expenses and other assets	4,730,595	4,189,157
Total current assets	119,813,470	96,548,847
Property and equipment, net	61,842,235	57,647,845
Other long-term assets	281,603	330,805
Intangible assets, net	6,503,009	6,683,009
Goodwill, net	94,588,100	62,325,406
Total assets	$ 283,028,417	$ 223,535,912
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 9,727,181	$ 10,162,263
Accrued liabilities	8,066,203	3,800,805
Billings in excess of costs and profits	8,324,292	5,429,893
Current portion of long-term debt	14,619,396	8,471,431
Other liabilities	-	171,427
Accrued state taxes	467,500	309,597
Total current liabilities	41,204,572	28,345,416
Contingent consideration	7,500,000	-
Other long-term liabilities	1,365,591	-
Long-term debt, less current portion, net	169,730,470	139,211,155
Total liabilities	219,800,633	167,556,571
Members' equity	63,227,784	55,979,341
Total liabilities and members' equity	$ 283,028,417	$ 223,535,912

The accompanying notes are an integral part of these consolidated financial statements.

Future Infrastructure Holdings, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31,

	2020	2019
Net sales	$ 295,787,218	$ 275,748,936
Cost of sales	241,763,436	217,610,147
Gross profit	54,023,782	58,138,789
Selling, general and administrative expenses	24,197,722	21,423,669
Acquisition costs	3,399,894	1,162,936
Amortization	10,724,266	8,614,235
Management fees	1,746,669	1,363,797
Income from operations	13,955,231	25,574,152
Other expenses:		
Other (income) expense, net	(793,945)	(259,037)
Interest expense	9,271,902	10,365,581
Income before income taxes	5,477,274	15,467,608
State income tax expense	153,466	476,183
Net income	$ 5,323,808	$ 14,991,425

The accompanying notes are an integral part of these consolidated financial statements.

Future Infrastructure Holdings, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

Years ended December 31, 2020 and 2019

	Class A Common Units		Retained Earnings (Accumulated Deficit)	Total Members' Equity
	Shares	Amount		
Balance at January 1, 2019	26,195,083	$ 57,770,075	$ (19,053,891)	$ 38,716,184
Issuance of common units in acquisition	273,224	2,500,000	-	2,500,000
Cash distributions	-	-	(228,268)	(228,268)
Net income	-	-	14,991,425	14,991,425
Balance at December 31, 2019	26,468,307	60,270,075	(4,290,734)	55,979,341
Issuance of common units in acquisition	594,804	6,250,000	-	6,250,000
Cash distributions	-	-	(4,325,365)	(4,325,365)
Net income	-	-	5,323,808	5,323,808
Balance at December 31, 2020	27,063,111	$ 66,520,075	$ (3,292,291)	$ 63,227,784

The accompanying notes are an integral part of these consolidated financial statements.

Future Infrastructure Holdings, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2020	2019
Cash flows from operating activities:		
Net income	$ 5,323,808	$ 14,991,425
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	28,979,734	23,444,407
Amortization of debt issuance costs and discount on term loan	1,189,257	892,253
Provision for doubtful accounts	175,688	394,047
(Gain) Loss on sale of property and equipment	(315,276)	45,079
Changes in operating assets and liabilities net of effects of acquisitions:		
Accounts receivable	(550,151)	1,107,237
Costs and profits in excess of billings	(10,042,041)	(15,597,883)
Prepaid expenses and other assets	(420,393)	(1,881,035)
Other long-term assets	49,202	(122,220)
Accounts payable, accrued and other liabilities	2,085,986	2,042,345
Billings in excess of costs and profits	2,503,909	2,794,441
Accrued state taxes	157,903	(82,020)
Net cash provided by operating activities	29,137,626	28,028,076
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(42,704,092)	(22,683,965)
Purchases of property and equipment	(13,314,920)	(18,626,129)
Proceeds from disposal of property and equipment	1,549,391	532,353
Net cash used in investing activities	(54,469,621)	(40,777,741)
Cash flows from financing activities:		
Net (paydown) proceeds from line of credit	(6,500,000)	500,000
Proceeds from term loan	47,036,964	27,400,000
Member distributions	(4,325,365)	(228,268)
Principal payments on capital leases	(3,574,083)	(2,286,524)
Principal payments on term loan	(5,532,210)	(6,605,210)
Net cash provided by financing activities	27,105,306	18,779,998
Cash at beginning of year	6,572,608	542,275
Cash at end of year	$ 8,345,919	$ 6,572,608
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 8,098,552	$ 9,145,087
Cash paid for taxes	$ 499,469	531,423
Assets acquired under capital leases	$ 4,047,354	3,720,976
Issuance of equity in acquisition	$ 6,250,000	2,500,000

The accompanying notes are an integral part of these consolidated financial statements.

Future Infrastructure Holdings, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Future Telecom Holdings, LLC was formed on January 21, 2014. On September 8, 2016, Future Telecom Holdings, LLC changed its name to Future Infrastructure Holdings, LLC (the “Company”). The Company owns 100% of Future Infrastructure, LLC; Gardner Telecommunications, LLC; COMTRAC Services, LLC; Talus Development, LLC, Dakota Directional Drilling, LLC and its wholly owned subsidiary, Dakota Utility Contractors, LLC, and Pride Utility Construction Co., LLC, through its wholly owned subsidiary Future Telecom Purchaser, LLC (the “Purchaser”).

On January 1, 2020, the Company merged UtiliTex, LLC with Future Telecom, LLC and the surviving entity Future Telecom, LLC was renamed Future Infrastructure, LLC. In addition, the Company merged Fiber One, LLC with and into Gardner Telecommunications, LLC.

The Company is a utility infrastructure installation, maintenance and repair company serving customers in the telecommunications, gas utilities, specialty boring and civil construction industries throughout the Southwest and Southeast regions of the U.S.

On May 22, 2019, COMTRAC Services, LLC acquired FiberTech, Inc. for total consideration of $4.2 million, inclusive of acquisition related costs of $0.2 million. Total financing included borrowings of $3.0 million and cash from operations of $1.2 million.

On August 29, 2019, Purchaser acquired the equity interests of Talus Development, LLC for total consideration of $22.5 million, inclusive of acquisition related costs of $1.1 million. Total financing included borrowings of $19.9 million, management contributed equity of $2.5 million, and cash from operations of $0.1 million.

On February 5, 2020, Gardner Telecommunications, LLC acquired FOS Telecom LLC for total consideration of $1.8 million, inclusive of acquisition related costs of $0.2 million. Total financing included cash from operations of $1.6 million, and management contributed equity of $0.2 million.

On October 30, 2020, Purchaser acquired the equity interests of Pride Utility Construction Co., LLC for total consideration of $50.8 million, inclusive of acquisition related costs of $3.2 million. Total financing included borrowings of $44.8 million, and management contributed equity of $6.0 million.

Principles of Consolidation

The consolidated financial statements include the financial statements of Future Infrastructure Holdings, LLC and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Management believes the estimates used in preparing the consolidated financial statements are reasonable; however, actual results could differ from those estimates.

Cash

The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on its cash. The Company has no cash equivalents at December 31, 2020 or 2019.

Fair Value of Financial Instruments

The Company follows the accounting guidance for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The three levels of the fair value framework are as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.
Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3 – Unobservable inputs reflecting the reporting entity’s own assumptions or external inputs from inactive markets.

A financial asset or liability’s classification within the framework is determined based on the lowest level of input that is significant to the fair value measurement. The Company valued contingent consideration for acquisition related earn-outs (see Note 2 for details) using Level 3 inputs. The Company may be required, on a non-recurring basis, to adjust the carrying value of the Company’s contingent consideration.

The Company has reviewed its accounts receivable, accounts payable, and accrued liabilities and has determined their carrying values approximate fair value due to the short maturity of these instruments. Carrying value for debt is determined to approximate fair values based upon current interest rates for instruments with similar terms and remaining maturities.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the provision for bad debts. The allowance for doubtful accounts is evaluated on a regular basis by management and based on past experience and other factors, which, in management’s judgment, deserve current recognition in estimating possible bad debts. Such factors include growth and composition of accounts receivable, the relationship of the allowance for doubtful accounts to accounts receivable, and current economic conditions.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), which amended its guidance on revenue recognition. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for interim and annual reporting periods beginning after December 15, 2018. The Company adopted this guidance on January 1, 2019, using the modified retrospective method of adoption with the cumulative effect recorded to retained earnings for all open contracts at the date of adoption.

The Company’s revenue is derived from contracts with customers. The appropriate accounting treatment for each contract is determined at its inception. Its contracts primarily relate to utility infrastructure installation, maintenance and repair services. Revenue is earned based upon fixed-price, unit-price, and time and material contracts.

The Company accounts for a contract when: (i) it has approval and commitment from both parties; (ii) the rights of the parties are identified; (iii) payment terms are identified; (iv) the contract has commercial substance; and (v) collectability of consideration is probable. The Company considers the start of a project to be when the above criteria have been met, and it has written authorization from the customer to proceed.

The Company recognizes revenue over time for the services it performs as (i) control continuously transfers to the customer as work progresses at a project location controlled by the customer and (ii) the Company has the right to bill the customer as costs are incurred. Where the Company has a contractual right to payment for work performed to date, it recognizes revenue over time. If the Company does not have such a right, it recognizes revenue upon completion of the contract, when control of the work transfers to the customer.

Revenue is measured principally by the costs incurred and accrued to date for each contract as a percentage of the estimated total cost for each contract at completion. Contract costs include all direct materials, labor costs, equipment rental and subcontractors related to contract performance. The Company's policy is to include all depreciation on equipment used in production and employee compensation expenses for direct and indirect production labor in cost of sales on the consolidated statements of income.

Changes in job performance, job conditions, estimated contract costs and profitability and final contract settlements may result in revisions to costs and income, and the effects of these revisions are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments and judgments.

Contracts typically provide for a schedule of billings on percentage of completion of specific tasks inherent in the fulfillment of the Company's performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the consolidated statements of income can and usually does differ from amounts that can be billed to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceeds cumulative billings and unbilled receivables to the customer under the contract are reflected as a current asset in the Company's consolidated balance sheets under the caption "Costs and profits in excess of billings". Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized are reflected as a current liability in the Company's consolidated balance sheets under the caption "Billings in excess of costs and profits".

Payments are typically due from customers after the service has been provided. There are no significant financing components or variable consideration in current contracts. The Company generally has payment terms with its customers of between 30 and 90 days and has elected the practical expedient applicable to such contracts not to consider financing components. The Company has also elected to exclude sales, value-add, use, or other taxes collected from customers from revenue.

Property and Equipment

Property and equipment are carried at cost. Depreciation is estimated over the useful lives of the assets on a straight-line basis. The rate of depreciation for financial reporting purposes is based on the following estimated useful lives:

	Years
Buildings and leasehold improvements	15
Machinery and equipment	5-7
Office furniture and equipment	3-5

Expenditures for maintenance and repairs are expensed as incurred, while expenditures for renewal and betterments are capitalized. Upon retirement or replacement, the cost of capitalized assets and the related accumulated depreciation are eliminated with the resulting gain or loss recognized.

Identifiable Intangible Assets and Goodwill

Upon acquisition, identifiable intangible assets are recorded at fair value. Identifiable intangible assets with finite lives are amortized over their estimated useful lives.

Estimated useful lives for these identifiable intangible assets are as follows:

Intangible asset classification	Estimated useful life
Trademarks	2-15 years
Customer relationships	8 years
Not-to-compete covenants/agreements	5 years
Goodwill	10 years

Goodwill represents the excess of the cost of acquired businesses over fair value attributed to underlying net tangible assets and identifiable intangible assets.

The Company amortizes its goodwill over 10 years, and tests goodwill for impairment upon the occurrence of a triggering event indicating that the fair value of the Company might be less than its carrying amount. No triggering events were identified in 2020 or 2019. The Company recognized $8,602,850 and $6,582,779 of amortization of goodwill, which is included in amortization expense in the consolidated statements of income for the years ended December 31, 2020 and 2019, respectively.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, intangible assets and goodwill, subject to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated or amortized. There was no impairment of long-lived assets for the years ended December 31, 2020 and 2019.

Sales Taxes

The Company applies the net basis for sales taxes imposed on its goods and services in its consolidated statements of income. It is required by the applicable governmental authorities to collect and remit sales taxes. Accordingly, such amounts are charged to the customer, collected, and remitted directly to the appropriate jurisdictional entity.

Major Customer Concentration

For the years ended December 31, 2020 and 2019, the Company earned 47% and 49% of its revenue from its top five customers, respectively. At December 31, 2020 and 2019, accounts receivable from these customers was 43% and 50% of its total accounts receivable, respectively.

Income Taxes

The Company files Form 1065, U.S. Partnership Return of Income, which is due on or before April 15 of each year, unless extended. All income or loss of the Company is passed through to the members. The members report their respective percentage of any income or loss on their respective federal income tax or information returns. The Company does pay franchise taxes, which are considered income taxes on the consolidated statements of income.

U.S. GAAP requires company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company's management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition as a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. The Company's policy is to recognize accrued interest related to unrecognized tax benefits in interest expense and any penalties in operating expenses. The Company's management believes they are no longer subject to income tax examinations for years prior to 2017.

The Company has not recognized any penalty, interest or tax impact related to uncertain tax positions as of and for the years ended December 31, 2020 and 2019.

NOTE 2 - ACQUISITIONS

2020 Acquisitions

On February 5, 2020, Gardner Telecommunications, LLC acquired FOS Telecom LLC for total consideration of $1.8 million, inclusive of acquisition related costs of $0.2 million. Total financing included cash from operations of $1.6 million, and management contributed equity of $0.2 million. This acquisition will broaden and enhance the service capabilities and customer base of the Company and provide substantial revenue growth opportunities.

The allocation of the total purchase price to tangible assets and liabilities was based upon the estimated fair value of those assets as of the closing date. The Company allocated the excess of purchase price over the net tangible assets to goodwill. The following summarizes the allocation of the acquisition cost at February 5, 2020:

Accounts receivable	$ 265,648
Property and equipment	274,100
Other assets	4,960
Current liabilities	(134)
Goodwill	1,104,661
Net assets acquired	$ 1,649,235

The excess purchase price over the net fair value of the identifiable tangible assets is $1.1 million and has been assigned to goodwill. Goodwill ascribed to this business combination relates to intangible assets that do not qualify for separate recognition.

On October 30, 2020, Purchaser acquired the equity interests of Pride Utility Construction Co., LLC for total consideration of $50.8 million, inclusive of acquisition related costs of $3.2 million. Total financing included borrowings of $44.8 million, and management contributed equity of $6.0 million. The Company will also pay to the former owners of Pride up to $7.5 million in cash (“contingent consideration”), contingent on and based on Pride’s EBITDA (as defined in the Agreement) meeting certain thresholds set forth in the Agreement for the period beginning January 1, 2021 and ending on December 31, 2021. The contingent consideration has been preliminary recorded at $7.5 million. As we finalize our determination of the fair value of this contingency, the preliminary fair value is subject to adjustment when the valuation is completed.

This acquisition will broaden and enhance the service capabilities and customer base of the Company and provide substantial revenue growth opportunities.

The Company allocated the purchase price to tangible assets and identifiable intangible assets acquired and liabilities assumed based upon the estimated fair values as of the closing date. The Company's evaluation of the facts and circumstances available as of October 30, 2020, to assign fair values to assets acquired and liabilities assumed is ongoing. As we complete further analysis of tangible assets, intangible assets and liabilities assumed, additional information impacting the assets acquired and the related allocation thereof, may become available. A change in information related to the net assets acquired may change the amount of the purchase price assigned to goodwill, and, as a result, the preliminary fair values set forth below are subject to adjustments when additional information is obtained and valuations are completed.

Provisional adjustments, if any, will be recognized during the reporting period in which the adjustments are determined. We expect to finalize the purchase price allocation as soon as practicable, but no later than one year from the acquisition date. The following table summarizes the Company's best initial estimate of the aggregate fair value of the assets acquired and liabilities assumed at the date of acquisition:

Cash	$	383,545
Accounts receivable		8,590,916
Other current assets		3,356,977
Property and equipment		6,047,600
Current liabilities		(4,891,697)
Long term liabilities		(7,500,000)
Intangible assets		2,000,000
Goodwill		39,609,581
Net assets acquired	$	47,596,922

The excess purchase price over the net fair value of the identifiable tangible and intangible assets is $39.6 million and has been assigned to goodwill. Goodwill ascribed to this business combination relates to intangible assets that do not qualify for separate recognition. The weighted-average amortization period is 2 years for trademarks and 10 years for goodwill.

2019 Acquisitions

On May 22, 2019, COMTRAC Services, LLC acquired FiberTech, Inc. for total consideration of $4.2 million, inclusive of acquisition related costs of $0.2 million. Total financing included borrowings of $3.0 million and cash from operations of $1.2 million. This acquisition will broaden and enhance the service capabilities and customer base of the Company and provide substantial revenue growth opportunities.

The allocation of the total purchase price to tangible assets and liabilities was based upon the estimated fair value of those assets as of the closing date. The Company allocated the excess of purchase price over the net tangible assets to goodwill. The following summarizes the allocation of the acquisition cost at May 22, 2019:

Accounts receivable	$	1,161,182
Property and equipment		616,350
Other assets		86,983
Current liabilities		(141,292)
Goodwill		2,232,882
Net assets acquired	$	3,956,105

The excess purchase price over the net fair value of the identifiable tangible assets is $2.2 million and has been assigned to goodwill. Goodwill ascribed to this business combination relates to intangible assets that do not qualify for separate recognition.

On August 29, 2019, Purchaser acquired the equity interests of Talus Development, LLC for total consideration of $22.5 million, inclusive of acquisition related costs of $1.1 million. Total financing included borrowings of $19.9 million, management contributed equity of $2.5 million, and cash from operations of $0.1 million. This acquisition will broaden and enhance the service capabilities and customer base of the Company and provide substantial revenue growth opportunities.

The allocation of the total purchase price to tangible assets and liabilities was based upon the estimated fair value of those assets as of the closing date. The Company allocated the excess of purchase price over the net tangible assets to goodwill. The following summarizes the allocation of the acquisition cost at August 29, 2019:

Cash	$	203,327
Accounts receivable		2,451,611
Other current assets		820,000
Property and equipment		2,091,273
Current liabilities		(600,205)
Goodwill		16,455,103
Net assets acquired	$	21,421,109

The excess purchase price over the net fair value of the identifiable tangible and intangible assets is $16.4 million and has been assigned to goodwill. Goodwill ascribed to this business combination relates to intangible assets that do not qualify for separate recognition.

NOTE 3 - ACCOUNTS RECEIVABLE

Changes in the Company's allowance for doubtful accounts are as follows:

		2020		2019
Beginning balance	$	700,000	$	349,525
Bad debt expense		175,688		394,047
Accounts written off		(39,390)		(43,572)
Ending balance	$	836,298	$	700,000

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

		2020		2019
Buildings and leasehold improvements	$	6,087,917	$	5,910,047
Machinery and equipment		103,216,411		82,442,443
Office furniture and equipment		2,398,489		2,194,367
		111,702,817		90,546,857
Less: accumulated depreciation		(50,663,809)		(33,712,619)
		61,039,008		56,834,238
Land		803,227		813,607
Total property and equipment, net	$	61,842,235	$	57,647,845

Depreciation expense for the years ended December 31, 2020 and 2019 was $18,255,469 and $14,830,172, respectively.

NOTE 5 - INTANGIBLE ASSETS AND GOODWILL

Intangible assets consisted of the following at December 31, 2020:

	Cost	Accumulated amortization	Net intangibles
Not-to-compete covenants/agreements	$ 370,000	$ 370,000	$ -
Trademarks	5,200,000	1,566,340	3,633,660
Customer relationships	14,400,000	11,530,651	2,869,349
Total intangible assets	$ 19,970,000	$ 13,466,991	$ 6,503,009
Goodwill	$ 118,264,896	$ 23,676,796	$ 94,588,100

Intangible assets consisted of the following at December 31, 2019:

	Cost	Accumulated amortization	Net intangibles
Not-to-compete covenants/agreements	$ 370,000	$ 370,000	$ -
Trademarks	3,200,000	1,186,340	2,013,660
Customer relationships	14,400,000	9,730,651	4,669,349
Total intangible assets	$ 17,970,000	$ 11,286,991	$ 6,683,009
Goodwill	$ 77,457,936	$ 15,132,530	$ 62,325,406

Amortization expense for the years ended December 31, 2020 and 2019 was $10,724,266 and $8,614,235, respectively.

Changes in the Company’s gross amount of goodwill is as follows:

Beginning balance at January 1, 2020	$ 77,457,936
Add: Goodwill recognized related to purchase of Talus Development	92,718
Add: Goodwill recognized related to purchase of FOS Telecom	1,104,661
Add: Goodwill recognized related to purchase of Pride Utility Construction Co.	39,609,581
Ending balance at December 31, 2020	$ 118,264,896

Estimated amortization expense for each of the next five years is as follows at December 31, 2020:

2021	$ 14,839,821
2022	13,942,503
2023	12,039,821
2024	11,346,607
2025	11,053,028

NOTE 6 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are comprised of the following at December 31, 2020 and 2019:

	2020	2019
Prepaid insurance	$ 3,193,691	$ 3,108,917
Employee advances	115,678	130,626
Other	1,421,226	949,614
	$ 4,730,595	$ 4,189,157

NOTE 7 - ACCRUED LIABILITIES AND OTHER LIABILITIES

Accrued liabilities are comprised of the following at December 31, 2020 and 2019:

	2020	2019
Accrued payroll, related taxes, and employee benefits	$ 4,902,889	$ 3,184,233
Accrued expenses	1,787,874	319,074
Accrued interest payable	91,511	107,418
Accrued sales, use, and property taxes	654,877	190,080
Customer deposits	629,052	-
	$ 8,066,203	$ 3,800,805

Other liabilities include $171,427 owed to related parties, as described in Note 11, at December 31, 2019.

Other long-term liabilities include $1,365,591 for the employer's share of Social Security taxes deferred under the Coronavirus, Aid, Relief and Economic Security Act (CARES Act).

NOTE 8 - LEASES

The Company leases certain equipment and office space under the terms of noncancelable operating and capital lease agreements expiring through 2029. Rent expense for operating leases for the years ended December 31, 2020 and 2019 totaled $4,699,058 and $4,343,042, respectively.

Future minimum lease payments on noncancelable operating leases as of December 31, 2020 are as follows:

2021	$ 2,913,993
2022	2,283,097
2023	1,847,567
2024	1,061,055
2025	738,273
Thereafter	1,650,416

NOTE 9 - DEBT

On August 29, 2019, the Company modified an existing credit agreement with a bank to borrow an additional $27.4 million under the term loan to use in operations and in connection with the acquisition of Talus, as discussed in Note 2. On October 30, 2020, the Company modified the agreement to borrow an additional $47.5 million under the term loan to use in operations and in connection with the acquisition of Pride Utility, as discussed in Note 2. The term loan had an outstanding balance of $169.3 million and $127.4 million as of December 31, 2020 and 2019, respectively. Interest on outstanding borrowings under the term loan are payable monthly at the daily LIBOR rate, plus a margin, and was 4.5% and 5.8% at December 31, 2020 and 2019, respectively. Principal payments are due quarterly.

The modification to the credit agreement on August 29, 2019 transferred $7.5 million of borrowings from the line of credit to the term loan. The modification to the credit agreement on October 30, 2020 increased the line of credit from $20.0 million to $27.5 million. Borrowings on the line of credit were $9.0 million and $15.5 million as of December 31, 2020 and 2019, respectively. The terms of the credit agreement include an unused line fee as defined in the agreement. Interest on the outstanding advances is payable monthly at the daily LIBOR, plus a margin and was 4.5% and 5.7% at December 31, 2020 and 2019, respectively.

On November 3, 2020, the Company used the line of credit to guarantee an irrevocable letter of credit to be used as collateral for liability insurance claims. The letter of credit had an outstanding balance of $950,000 at December 31, 2020. The term loan and line of credit mature on May 4, 2022. The term loan and line of credit are secured by substantially all assets of the Company and are guaranteed by all the Company's subsidiaries. The agreement contains certain covenants to be met by the Company.

A summary of the outstanding amounts of debt and capital leases were as follows as of December 31, 2020 and 2019:

	2020	2019
Term loan	$ 169,337,819	$ 127,370,029
Line of credit	9,000,000	15,500,000
Capital lease obligations	7,480,472	7,007,202
Less: discount	(1,022,287)	(1,414,587)
Less: unamortized deferred financing costs	(446,138)	(780,058)
Total debt	184,349,866	147,682,586
Less: current portion of long-term debt	(15,535,013)	(9,635,546)
Less: current portion of discount and unamortized deferred financing costs	915,617	1,164,115
Long-term debt, net of current portion	$ 169,730,470	$ 139,211,155

The Company leases equipment from various companies under capital leases. The terms of the leases range from 48 to 60 months, with principal payments calculated on a straight-line basis and due monthly. Interest on the debt related to the equipment leases is payable monthly at a range of 0% to 7.7%.

Machinery and equipment under capital leases were as follows as of December 31:

	2020	2019
Machinery and equipment under capital lease	$ 9,555,320	$ 8,805,299
Less: accumulated depreciation	(5,091,425)	(4,366,630)
	$ 4,463,895	$ 4,438,669

As of December 31, 2020, scheduled maturities of long-term debt and capital leases are as follows:

2021	$ 15,535,013
2022	167,686,241
2023	1,391,438
2024	918,213
2025	287,387

NOTE 10 - STOCK OPTIONS

The Company adopted the Future Telecom Holdings, LLC Management Incentive Plan Award Agreement (the "Plan") that provides for the issuance of Class B Common Units. During 2020 and 2019, an additional 0 and 225,000 units, respectively, were authorized to be awarded as options. As of December 31, 2020 and 2019, there were 3,525,000 Class B Common Units of Future Infrastructure Holdings, LLC authorized to be awarded as options. Class B Common Units do not have voting rights. The exercise price of stock options granted under the Plan is equal to the fair market value of the Company's common stock at the date of grant. Each grant is 100% performance vesting.

The performance-vested options only vest upon the sale of the Company, as defined per the Plan, subject to the employee remaining at the Company on the date of the sale of the Company. The performance-vested stock options do not expire. As a result of the contingent nature of the performance-vested stock options, no compensation expense has been recorded in the accompanying consolidated statements of income.

As of December 31, 2020 and 2019, the Company had issued 3,426,842 and 3,410,082 options, respectively, of Class B Common Units. There were no options vested or exercised for the year ended December 31, 2020 and 2019.

NOTE 11 - RELATED PARTY TRANSACTIONS

On January 24, 2014, the Company entered into a Master Services Agreement with Tower Arch Capital, LLC ("TAC"), whereby the Company will pay a quarterly management fee for financial advisory, consulting and other management services provided to the Company by TAC. The management fee for the years ended December 31, 2020 and 2019 was $1,746,669 and $1,363,797, respectively, and has been reflected as management fees in the accompanying consolidated statements of income. TAC also provides financial advisory services in conjunction with acquisitions. The financial advisory fee for the years ended December 31, 2020 and 2019 was $698,666 and $375,070, respectively, and has been reflected as acquisition costs in the accompanying consolidated statements of income. There are no amounts payable to TAC at December 31, 2020 and 2019.

In conjunction with the acquisition of Fiber One, LLC, the Company entered into an agreement with the former owner and current President of Fiber One, LLC whereby the Company would remit collections of certain accounts receivables to him. At December 31, 2019, the Company accrued $171,427 for this obligation, which is included in other liabilities on the accompanying consolidated balance sheets.

The Company leases space from a company owned by an executive of the Company. The lease ends in 2021 and has terms and conditions typical of similar leases of office space. The Company paid rent of $892,746 and $729,769 under this lease during 2020 and 2019, respectively.

The Company leases a home from a company owned by an executive of the Company that is used as corporate housing for an employee of the Company. The lease ends in 2020 and has terms and conditions typical of similar leases of corporate housing. The Company paid rent of $26,400 per year under this lease during 2020 and 2019.

On December 18, 2018, the Company entered into a facility lease from a company owned by an executive of the Company. The lease ends in 2023 and has terms and conditions typical of similar leases of office space. The Company paid rent of $174,858 per year under this lease during 2020 and 2019.

On August 29, 2019, the Company entered into a facility lease from a company owned by an executive of the Company. The lease ends in 2024 and has terms and conditions typical of similar leases of office space. The Company paid rent of $180,000 and $75,000 during 2020 and 2019, respectively.

On October 30, 2020, the Company entered into a facility lease from a company owned by executives of the Company. The lease ends in 2025 and has terms and conditions typical of similar leases of office space. The Company paid rent of $30,000 during 2020.

NOTE 12 - EMPLOYEE BENEFIT PLAN

The Company has a Section 401(k) contributory plan for the benefit of all eligible company employees who elect to participate with discretionary employer matching contributions. The effective date of this plan was January 1, 2019. The Company made matching contributions to the 401(k) plan of $1,363,971 and $537,980 for the years ended December 31, 2020 and 2019, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Company is subject to legal proceedings and claims arising in the ordinary course of its business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s consolidated financial position or results of operations.

NOTE 14 - SUBSEQUENT EVENTS

On January 14, 2021, the Company was acquired by Primoris Services Corporation in an all-cash transaction valued at $620 million. The transaction expands the Primoris’ utility services capabilities and directly aligns with Primoris’ strategy to grow in large, higher-growth, higher-margin markets.

Management has evaluated subsequent events through March 9, 2021, the date which the consolidated financial statements were available to be issued.

UNAUDITED PRO FORMA CONSOLIDATED COMBINED FINANCIAL STATEMENTS

Introduction

On January 15, 2021, Primoris Services Corporation, a Delaware corporation (“Primoris”, “we”, “us”, “our”), completed its previously announced acquisition of Future Infrastructure Holdings, LLC, a Delaware limited liability company (“FIH”). Pursuant to the terms of that Agreement and Plan of Merger (the “Merger Agreement”) dated as of December 14, 2020 and Amendment No. 1 to the Merger Agreement (the “Amendment”) dated January 11, 2021, Primoris Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of Primoris (“Merger Sub”), merged with and into FIH (the “Merger”), with FIH surviving the Merger as a wholly-owned subsidiary of Primoris.

The aggregate amount of consideration paid was approximately $611.2 million, net of cash acquired, which was funded through a combination of existing cash balances, borrowings under our term loan facility, and borrowings under our revolving credit facility.

The foregoing descriptions of the Merger Agreement and the Amendment are qualified in their entirety by reference to the full text of the Merger Agreement and the Amendment, which are attached as Exhibit 2.1 to the Current Report on Form 8-K filed by Primoris on December 15, 2020 and Exhibit 2.2 to the Current Report on Form 8-K filed by Primoris on January 15, 2021, respectively, and incorporated herein by reference in their entirety.

The following unaudited pro forma consolidated combined financial statements are based on the historical financial statements of Primoris and FIH after giving effect to the acquisition, and the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma consolidated combined financial statements, as prescribed by the Securities and Exchange Commission guidelines. On October 30, 2020, FIH acquired Pridemore Case Holdings, Inc (“Pride”), which expanded FIH’s operations. Therefore, we have included Pride’s results of operations for the ten-month period ended October 30, 2020 in the unaudited pro forma consolidated combined statement of income for the year ended December 31, 2020.

The following unaudited pro forma consolidated combined balance sheet as of December 31, 2020 is presented as if the Merger had occurred on December 31, 2020. The unaudited pro forma consolidated combined statement of income for the year ended December 31, 2020, is presented as if the Merger had occurred on January 1, 2020 with acquisition-related adjustments reflected assuming the transaction occurred at the beginning of the fiscal year presented and had a continuing impact through the period presented and described in the accompanying notes.

The historical consolidated financial information has been adjusted in the unaudited pro forma consolidated combined financial data to illustrate the Transaction Accounting Adjustments related to the Merger.

The following unaudited pro forma consolidated combined financial statements are prepared for illustrative purposes only and are not necessarily indicative of or intended to represent the results that would have been achieved had the acquisition been consummated as of the dates indicated or that may be achieved in the future. The unaudited pro forma consolidated combined financial statements do not reflect the realization of any expected operating efficiencies or other synergies that may result from the Merger as a result of planned initiatives with respect to the combined companies.

The unaudited pro forma consolidated combined financial statements should be read in conjunction with the accompanying notes to the unaudited pro forma consolidated combined financial statements. In addition, the unaudited pro forma consolidated combined financial statements should be read in conjunction with (i) Primoris’ audited consolidated financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2020 filed by Primoris on February 23, 2021, and (ii) FIH’s audited consolidated financial statements and accompanying notes for the year ended December 31, 2020, which are attached as Exhibit 99.1 to this Amendment to the Current Report on Form 8-K.

PRIMORIS SERVICES CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED COMBINED BALANCE SHEET
December 31, 2020
(In thousands)

			Transaction Accounting Adjustments			
	Primoris	**FIH**	**Reclassification Adjustments (Note 3)**	**Pro Forma Adjustments (Notes 2 and 5)**		**Pro Forma Combined**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 326,744	$ 8,346	$ —	$ (121,749)	(a) (b)	$ 213,341
Accounts receivable, net	432,455	69,125	(4,753)(A)	—		496,827
Contract assets	325,849	37,611	4,753(A)	—		368,213
Prepaid expenses and other current assets	30,218	4,731	—	(1,973)	(c)	32,976
Total current assets	1,115,266	119,813	—	(123,722)		1,111,357
Property and equipment, net	356,194	61,842	—	2,298	(d)	420,334
				(6,647)	(e)	(6,647)
Operating lease assets	207,320	—	—	12,504	(f)	219,824
Deferred tax assets	1,909	—	—	—		1,909
Intangible assets, net	61,012	6,503	—	115,897	(g)	183,412
Goodwill	215,103	94,588	—	257,942	(h)	567,633
Other long-term assets	12,776	282	—	6,647	(e)	19,705
Total assets	$ 1,969,580	$ 283,028	$ —	$ 264,919		$ 2,517,527
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ 245,906	$ 9,727	$ —	$ —		$ 255,633
Contract liabilities	267,227	8,324	—	—		275,551
Accrued liabilities	200,673	8,066	468(B)	(92)	(b)	209,115
				2,068	(f)	2,068
				2,502	(e)	2,502
				7,134	(i)	7,134
Dividends payable	2,887	—	—	—		2,887
Accrued state taxes	—	468	(468)(B)	—		—
Current portion of long-term debt	47,722	14,619	—	3,061	(b)	65,402
				(2,720)	(e)	(2,720)
Total current liabilities	764,415	41,204	—	11,953		817,572
Long-term debt, net of current portion	268,835	169,730	—	320,070	(b)	758,635
				(3,823)	(e)	(3,823)
Contingent consideration	—	7,500	—	(7,500)	(j)	—
Noncurrent operating lease liabilities, net of current portion	137,913	—	—	10,436	(f)	148,349
Deferred tax liabilities	13,548	—	—	—		13,548
Other long-term liabilities	70,077	1,366	—	4,145	(e)	75,588
Total liabilities	1,254,788	219,800	—	335,281		1,809,869
Commitments and contingencies						
Stockholders' equity						
Members' Equity	—	63,228	—	(63,228)	(k)	—
Common stock	5	—	—	—		5
Additional paid-in capital	89,098	—	—	—		89,098
Retained earnings	624,694	—	—	(7,134)	(i)	617,560
Accumulated other comprehensive loss	958	—	—	—		958
Noncontrolling interest	37	—	—	—		37
Total stockholders' equity	714,792	63,228	—	(70,362)		707,658
Total liabilities and stockholders' equity	$ 1,969,580	$ 283,028	$ —	$ 264,919		$ 2,517,527

See accompanying notes to the unaudited pro forma consolidated combined financial statements

PRIMORIS SERVICES CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED COMBINED STATEMENT OF INCOME
For the year ended December 31, 2020
(In thousands, except per share amounts)

	Primoris	FIH	Pride (Note 1)	Reclassification Adjustments (Note 3)		Pro Forma Adjustments (Notes 2 and 5)		Pro Forma Combined
			Transaction Accounting Adjustments					
Revenue	$ 3,491,497	$ 295,787	$ 34,884	$ —		$ —		$ 3,822,168
Cost of revenue	3,121,283	241,763	23,321	(2,253)	(C) (D)	330	(d)	3,384,444
Gross profit	370,214	54,024	11,563	2,253		(330)		437,724
Selling, general and administrative expenses	202,835	24,198	4,812	2,253	(C) (D)	10,574	(g)	244,672
Amortization	—	10,724	—	—		(10,724)	(g)	—
Management fees	—	1,747	—	—		—		1,747
Transaction and related costs	3,430	3,400	5,025	—		13,690	(i) (l)	25,545
Operating income	163,949	13,955	1,726	—		(13,870)		165,760
Other income (expense):								
Foreign exchange gain, net	379	—	—	—		—		379
Other income, net	1,234	794	—	—		—		2,028
Interest income	376	—	—	—		—		376
Interest expense	(20,299)	(9,272)	8	—		(2,744)	(m)	(32,307)
Income before provision for income taxes	145,639	5,477	1,734	—		(16,614)		136,236
Provision for income taxes	(40,656)	(153)	—	—		2,786	(n)	(38,023)
Net income	$ 104,983	$ 5,324	$ 1,734	$ —		$ (13,828)		$ 98,213
Less net income attributable to noncontrolling interests	(9)	—	—	$ —		—		(9)
Net income attributable to Primoris	$ 104,974	$ 5,324	$ 1,734	$ —		$ (13,828)		$ 98,204
Earnings per share:								
Basic	$ 2.17							$ 1.99
Diluted	$ 2.16							$ 1.97
Weighted average common shares outstanding:								
Basic	48,303					1,038	(l)	49,341
Diluted	48,633					1,165	(l)	49,798

See accompanying notes to the unaudited pro forma consolidated combined financial statements

PRIMORIS SERVICES CORPORATION
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED COMBINED FINANCIAL STATEMENTS

Note 1—Basis of Presentation

The unaudited pro forma consolidated combined balance sheet as of December 31, 2020 is presented as if the acquisition of FIH had occurred on December 31, 2020. The unaudited pro forma consolidated combined statement of income for the year ended December 31, 2020, is presented as if the acquisition of FIH had occurred on January 1, 2020. On October 30, 2020, FIH acquired Pride, which expanded FIH's operations. Therefore, we have included Pride's results of operations for the period ended October 30, 2020 in the unaudited pro forma consolidated combined statement of income for the year ended December 31, 2020.

The unaudited pro forma consolidated combined financial statements are not necessarily indicative of what our consolidated statements of income or consolidated balance sheet would have been had the Merger been completed as of the dates indicated or will be for any future periods. The unaudited pro forma consolidated combined financial statements do not purport to project our future financial position or results of income following the Merger. The unaudited pro forma consolidated combined financial statements reflect transaction related adjustments that management believes are necessary to present fairly our pro forma consolidated combined results of income assuming the Merger had been consummated as of January 1, 2020. The transaction related adjustments are based on currently available information and assumptions management believes are, under the circumstances and given the information available at this time, reasonable, and reflective of adjustments necessary to report our financial condition and results of income as a result of the closing of the Merger. The unaudited pro forma consolidated combined financial statements do not reflect the realization of any expected operating efficiencies or other synergies that may result from the Merger as a result of planned initiatives with respect to the combined companies.

Note 2 – Conforming Accounting Policies

The accounting policies used in the preparation of this unaudited pro forma consolidated combined financial information are those set out in our audited consolidated financial statements as of and for the year ended December 31, 2020. We have conducted a review of the accounting policies of FIH to determine if differences in accounting policies potentially required recasting to conform to our accounting policies and determined that certain adjustments are necessary to conform FIH's Pre-Merger financial statements to our accounting policies, specifically with regard to Accounting Standards Codification ("ASC") 842, *Leases*. Since FIH was a privately held company, they were not required to adopt ASC 842 until January 1, 2022, and we adopted ASC 842 on January 1, 2019. Therefore, the unaudited pro forma consolidated combined financial statements have been adjusted to properly reflect the adoption of ASC 842 by FIH.

Note 3—Reclassification Adjustments

Certain reclassification adjustments have been made to the unaudited pro forma consolidated combined financial statements to conform FIH's consolidated balance sheet as of December 31, 2020 and statement of income for the year ended December 31, 2020, to Primoris' presentation, as follows:

(A) We recognize retainage amounts as a contract asset, while FIH recognized these amounts as accounts receivable. Retainage is the portion of the contract price earned by us for work performed, but held for payment by the customer as a form of security until we reach certain construction milestones. Therefore, we reclassified $4.8 million from Accounts receivable, net to Contract assets.

(B) We recognize accrued state taxes in Accrued liabilities, while FIH recognized these amounts as a separate component of Total current liabilities. Therefore, we reclassified $0.5 million from Accrued state taxes to Accrued liabilities.

(C) We recognize certain administrative costs as Selling, general, and administrative ("SG&A") expenses, while FIH recognized these amounts as Cost of revenue. Therefore, we reclassified $1.8 million from Cost of revenue to SG&A expenses.

(D) We recognize gains on sale of assets as a reduction in Cost of revenue, while FIH recognized these amounts as SG&A expenses. Therefore, we reclassified gains of $0.4 million from SG&A expenses to Cost of revenue.

Note 4—Preliminary Acquisition Accounting

The table below represents the purchase consideration and the preliminary estimated fair values of the assets acquired and liabilities assumed as of the acquisition date. The preliminary estimated fair values have been used to prepare pro forma Transaction Accounting Adjustments in the pro forma consolidated combined financial statements. The final determination of fair value for certain assets and liabilities will be completed as soon as the information necessary to complete the analysis is obtained. The final purchase consideration allocation is expected to be completed within the measurement period, as defined in ASC 805, following the close of the Merger and may differ materially from the preliminary estimates used in the pro forma adjustments described below. The primary areas of the preliminary estimates that are not yet finalized relate to property, plant and equipment, identifiable intangible assets, contract assets and liabilities, and the fair value of certain contractual obligations.

Preliminary identifiable assets acquired and liabilities assumed (in thousands)		
Cash and cash equivalents	$	10,525
Accounts receivable		56,349
Contract assets		41,147
Prepaid expenses and other current assets		2,230
Property and equipment		57,493
Operating lease assets		12,504
Intangible assets:		
Customer relationships		118,000
Tradename		4,400
Other long-term assets		6,927
Accounts payable and accrued liabilities		(24,654)
Contract liabilities		(8,013)
Noncurrent operating lease liabilities, net of current		(10,436)
Other long-term liabilities		(6,450)
Total identifiable net assets		260,022
Goodwill		361,727
Total purchase consideration	$	621,749

Note 5—Pro Forma Adjustments

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma consolidated combined financial statements:

(a) To record approximately $621.7 million of cash consideration paid for the FIH acquisition.

(b) The below table reflects the net increase to debt for $500.0 million of new debt incurred to finance the FIH acquisition, less the effects of extinguishing FIH's outstanding debt of $178.4 million upon consummation of the acquisition (in thousands):

Increase for borrowings under term loan facility and revolving credit facility	$	500,000
Decrease for extinguishment of existing FIH debt		(176,869)
Pro forma adjustment to debt	$	323,131

The adjustment also reflects the reduction in accrued interest of $0.1 million due to the extinguishment of FIH debt.

(c) To eliminate prepaid insurance of approximately $2.0 million.

(d) To record the difference between the historical net book value of FIH's fixed assets and our preliminary estimate of fair value and the related impact to depreciation expense. On a preliminary basis, we increased the book value of FIH's fixed assets by $2.3 million. The resulting adjustment to depreciation expense, including finance lease depreciation expense, was an increase of approximately $0.3 million for the pro forma year ended December 31, 2020.

(e) To eliminate FIH capital lease assets and liabilities recorded under ASC 840 of approximately $6.6 million and record the fair value of FIH finance lease assets and liabilities under ASC 842 of approximately $6.7 million. The difference of $0.1 million was due to our incremental borrowing rate used to calculate the fair value of the finance lease assets and liabilities under ASC 842.

(f) To record FIH operating lease assets and liabilities under ASC 842 of approximately $12.5 million.

(g) Reflects the elimination of FIH's pre-existing intangible assets and recognition of the estimated preliminary fair value of identifiable intangible assets acquired. To determine the estimated fair value of intangibles acquired, we engaged a third party valuation specialist to assist management. Our valuation estimates are preliminary and subject to change. The estimated preliminary fair value of identifiable intangible assets acquired is comprised of the following (in thousands):

	Weighted Average Useful Life	Fair Value	Pro Forma Amortization Expense Year Ended December 31,2020
Customer relationships	19 years	$ 118,000	$ 6,174
Tradenames	1 year	4,400	4,400
		$ 122,400	10,574
Historical FIH amortization expense			(10,724)
Pro forma adjustment to amortization expense			$ (150)

The customer relationships were valued 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 tradenames were valued utilizing the "relief from royalty" method. A royalty rate was selected based on consideration of several factors, including external research of third party trade name licensing agreements and their royalty rate levels, and management estimates.

(h) To record goodwill as a result of the Merger. Goodwill represents the excess of the total purchase consideration over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized, but is assessed at least annually for impairment or when a change in facts and circumstances prompts an assessment. This allocation is based on preliminary estimates and the final allocation may differ materially as changes to the initial valuation of consideration transferred or net assets acquired will be allocated to goodwill.

(i) To accrue approximately $7.1 million of Primoris transaction costs associated with the Merger, primarily consisting of advisor fees. In addition, the unaudited pro forma consolidated combined statement of income includes approximately $11.4 million of transaction costs that are directly related to FIH's acquisition of Pride and our subsequent acquisition of FIH. These costs are not expected to be incurred in any period beyond 12 months from the closing date of the Merger.

(j) To eliminate the contingent consideration associated with the Pride acquisition as the contingent consideration liability was not assumed in the FIH acquisition.

(k) To eliminate FIH historical equity balances.

(l) To record approximately $6.6 million of expense associated with the grant of 1,213,032 shares of common stock (the "Inducement Grants") to certain FIH employees. The Inducement Grants consisted of the following types of equity awards: (i) stock purchase rights representing the right to purchase 1,086,752 shares of common stock within five business days following the closing date of the Merger at a 15 percent discount, subject to an 18-month holding period and (ii) restricted stock units representing the right to receive 126,280 shares of common stock, subject to time-vesting on the third anniversary of the grant date.

(m) The below table reflects the net increase to interest expense resulting from interest on the new debt to finance the acquisition of FIH and the extinguishment of FIH's existing debt (in thousands):

	Year Ended December 31,2020
Elimination of FIH interest expense	$ (8,897)
Interest expense on new borrowings (1)	11,900
Pro forma adjustment to interest expense	$ 3,003

(1) Expected interest expense on our borrowings under our revolving credit facility assuming an estimated weighted average annual interest rate of 2.38%. A hypothetical 0.125% change in the weighted average annual interest rate on the term loan and revolving credit facility would increase or decrease pro forma interest expense by $0.6 million annually.

The adjustment also reflects the reduction in interest expense of $0.3 million due to elimination of capital lease interest expense recorded under ASC 840 and recording finance lease interest expense under ASC 842.

(n) To record the income tax effect as a result of the Merger, calculated using our effective tax rate of 28% for the year ended December 31, 2020.