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 September 30, 2009

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

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 November 09, 2009, 32,642,546 shares of the registrant s common stock were outstanding.

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PRIMORIS SERVICES CORPORATION

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	September 30, 2009	December 31, 2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 80,346	$ 73,018
Short-term investments	5,016	15,036
Restricted cash	6,536	11,111
Accounts receivable, net	81,810	90,826
Costs and estimated earnings in excess of billings	22,369	21,017
Deferred income taxes	6,182	5,591
Prepaid expenses, inventory and other current assets	4,256	5,856
Total current assets	206,515	222,455
Property and equipment, net	31,830	26,224
Other assets	24	191
Investment in non-consolidated entities	2,773	500
Goodwill	2,842	2,842
Total assets	$ 243,984	$ 252,212
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 39,609	$ 56,088
Billings in excess of costs and estimated earnings	73,037	72,664
Accrued expenses and other current liabilities	25,128	26,067
Distributions and dividends payable	812	5,696
Current portion of capital leases	1,093	2,198
Current portion of long-term debt	5,217	5,679
Total current liabilities	144,896	168,392
Long-term debt, net of current portion	22,478	26,624
Long-term capital leases, net of current portion		341
Deferred tax liabilities	1,434	1,425
Total liabilities	168,808	196,782
Commitments and contingencies		

Stockholders equity		
Preferred stock $.0001 par value, 1,000,000 shares authorized, 0 outstanding		
Common stock $.0001 par value; authorized: 90,000,000 shares; 32,477,364 and 29,977,339 issued and outstanding at September 30, 2009 and December 31, 2008	3	3
Additional paid-in capital	34,796	34,796
Retained earnings	40,165	20,528
Accumulated other comprehensive income	212	103
Total stockholders equity	75,176	55,430
Total liabilities and stockholders equity	$ 243,984	$ 252,212

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)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(Unaudited)		(Unaudited)	
Revenues	$ 111,491	$ 146,737	$ 367,129	$ 458,572
Cost of revenues	92,415	125,634	312,402	406,622
Gross profit	19,076	21,103	54,727	51,950
Selling, general and administrative expenses	7,423	7,039	23,425	21,662
Merger related stock expense		3,675		3,675
Operating income	11,653	10,389	31,302	26,613
Other income (expense):				
Income from non-consolidated entities	1,439	1,474	5,342	4,501
Foreign exchange gain (loss)	(170)	89	33	67
Interest income (expense) net	(308)	(132)	(902)	(356)
Income before provision for income taxes	12,614	11,820	35,775	30,825
Provision for income taxes	(4,667)	(1,734)	(13,608)	(2,188)
Net income	$ 7,947	$ 10,086	$ 22,167	$ 28,637
Basic earnings per share	$ 0.24	$ 0.36	$ 0.70	$ 1.15
Diluted earnings per share	$ 0.23	$ 0.32	$ 0.67	$ 1.10
Weighted average common shares outstanding				
Basic	32,477	27,824	31,699	25,010
Diluted	34,048	31,063	33,128	26,093
Pro forma net income data 2008:				
Income before provision for income tax, as reported		$ 11,820		$ 30,825
Adjustments for provision for income tax		(4,706)		(12,271)
Pro forma adjusted net income		$ 7,144		$ 18,554
Pro forma earnings per share				
Basic		$ 0.26		$ 0.74
Diluted		$ 0.23		$ 0.71

See Accompanying Notes to Condensed Consolidated Financial Statements

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PRIMORIS SERVICES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	$ 7,947	$ 10,086	$ 22,167	$ 28,637
Adjustments to reconcile net income to net cash provided by: operating activities:				
Depreciation and amortization	2,120	1,796	6,110	4,763
Amortization of other intangible assets	10	9	28	27
Merger related stock expense		3,675		3,675
Gain on sale of property and equipment	(1,684)	(344)	(3,183)	(724)
Income from non-consolidated entities	(1,440)	(1,474)	(5,343)	(4,502)
Non-consolidated entity distributions		2,754	3,400	3,320
Changes in assets and liabilities:				
Restricted cash	1,790	(3,819)	4,575	(3,038)
Accounts receivable	13,673	(210)	9,016	29,822
Costs and estimated earnings in excess of billings	(1,499)	(3,923)	(1,352)	(11,752)
Prepaid expenses, inventory and other current assets	129	597	1,600	667
Other assets	363	(320)	247	564
Accounts payable	(8,862)	(2,880)	(16,479)	(16,408)
Billings in excess of costs and estimated earnings	5,728	6,520	373	18,600
Accrued expenses and other current liabilities	1,862	6,713	(233)	6,986
Deferred income tax	(586)	(2,769)	(582)	(2,769)
Other long-term liabilities		(1,315)		(1,286)
Net cash provided (used) by operating activities	19,551	15,096	20,344	56,582
Cash flows from investing activities:				
Purchase of property and equipment	(4,965)	(5,576)	(8,042)	(9,241)
Proceeds from sale of property and equipment	2,580	437	4,232	1,120
Sale (purchase) of short-term investments	10,075		10,020	
Advances to non-consolidated entities			(1,036)	
Net cash provided (used) in investing activities	7,690	(5,139)	5,174	(8,121)
Cash flows from financing activities:				
Proceeds from long-term debt	10,871		10,871	
Repayment of long-term debt	(16,246)	(1,607)	(20,202)	(4,787)
Repayment of capital leases	(489)		(1,446)	
Repayment of common stock		(3,331)		(3,331)
Proceeds from issuance of common stock		34,472		34,472
Repurchase of warrants			(93)	
Dividends	(812)		(2,373)	
Cash distributions to stockholders		(43,068)	(4,947)	(61,086)
Net cash provided (used) in financing activities	(6,676)	(13,534)	(18,190)	(34,732)
Net change in cash and cash equivalents	20,565	(3,577)	7,328	13,729
Cash and cash equivalents at beginning of the period	59,781	80,272	73,018	62,966
Cash and cash equivalents at end of the period	$ 80,346	$ 76,695	$ 80,346	$ 76,695

See Accompanying Notes to Condensed Consolidated Financial Statements

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PRIMORIS SERVICES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(IN THOUSANDS)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(Unaudited)		(Unaudited)	
Cash paid during the period for:				
Interest	$ 398	$ 498	$ 1,456	$ 1,705
Income taxes	$ 5,093	$ 2,552	$ 16,193	$ 3,006
Non-cash activities				
Obligations incurred for the acquisition of property and equipment leases	$ 1,700	$	$ 4,723	$ 7,075

See Accompanying Notes to Condensed Consolidated Financial Statements

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

(Unaudited)

Note 1 Business Activity

Organization and operations Primoris Services Corporation and its wholly-owned subsidiaries ARB, Inc. (ARB), ARB Structures, Inc., Onquest, Inc., Born Heaters Canada, ULC, Cardinal Contractors, Inc., GML Coatings, LLC, Cardinal Mechanical, L.P., Stellaris, LLC, Juniper Rock Corporation, and ARB Ecuador, Ltda., collectively the Company , are engaged in various construction and 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. The Company is incorporated in the State of Delaware and has its corporate headquarters in Lake Forest, California.

Note 2 Basis of Presentation

Interim consolidated financial statements The interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2009 and 2008 have been prepared in accordance with Regulation S-X Rule 10-01 of the Securities Exchange Act of 1934. 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 September 30, 2009 (the Third Quarter 2009 Report) should be read in concert with the Company s Annual Report on Form 10-K, filed on March 24, 2009, which contains the Company s audited consolidated financial statements for the year ended December 31, 2008.

The interim financial information for the three-month periods and nine-month periods ended September 30, 2009 and 2008 is unaudited and has been prepared on the same basis as the audited financial statements. However, the financial statements contained in this Third Quarter 2009 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, this unaudited information includes all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the interim financial information.

We follow GAAP set by the Financial Accounting Standards Board (FASB). References to GAAP issued by the FASB in the footnotes in this Quarterly Report on Form 10-Q are to the FASB Accounting Standards CodificationTM, sometimes referred to as the Codification or ASC. The FASB finalized the Codification effective for periods ending on or after September 15, 2009. The Codification does not change how the Company accounts for its transactions or the nature of related disclosures made. However, when referring to guidance issued by the FASB, the Company refers to topics in the ASC rather than referring to the various standard-setting sources of the past. We have updated references to GAAP in this Quarterly Report on Form 10-Q to reflect the guidance in the Codification.

As required in the Topic ASC 855 Subsequent Events , for this Third Quarter 2009 Report, we evaluated all significant events or transactions that occurred after September 30, 2009 up to November 12, 2009, the date we issued these financial statements. During this period, we identified three subsequent events that are described in Note 15 Subsequent Events .

Use of Estimates The preparation of the Company s condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates. Significant estimates used in preparing these condensed consolidated financial statements include estimated costs to complete contracts, which have a direct effect on gross profit, estimates for worker s compensation self insurance reserves, fair value estimates for financial assets and financial liabilities, reserves for bad debt and other accruals.

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 income and resulting revenue is generally accrued based on costs incurred to date as a

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percentage of total estimated costs. Total estimated costs, and thus contract revenue and income, are impacted by changes in productivity, scheduling, the unit 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 indicates 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, such excesses are included in the caption *Billings in excess of costs and estimated earnings* .

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

In accordance with the terms of the 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 receivable in the future periods.

Note 3 Recent Accounting Pronouncements

In July 2009, the FASB issued Financial Accounting Standards No. 168 The Hierarchy of Generally Accepted Accounting Principles , (SFAS 168) which established the FASB Accounting Standards Codification (Codification or ASC) as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of SFAS 168, now codified in ASC 105 *Generally Accepted Accounting Principles* , the Company has updated references to GAAP in its financial statements issued for the period ended September 30, 2009. The adoption of ASC 105 did not impact the Company s financial position or results of operations.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46R* (SFAS 167). SFAS 167 amends the previous FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities*, (FIN 46R) and 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 entity s 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. SFAS 167 will be effective January 1, 2010. The Company is currently evaluating the impact on the Company s financial statements.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820), Measuring Liabilities at Fair Value* . This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1) a valuation technique using quoted prices and; 2) a valuation technique consistent with ASC 820 *Measuring Liabilities at Fair Value* , such as a present value technique or a technique based on the amount the reporting entity would (a) pay to transfer the identical liability or would (b) receive to enter into the identical liability. This update applies to all entities that measure liabilities at fair value within the scope of ASC 820 and is effective for financial statements issued for the period ended September 30, 2009. We adopted this update during the third quarter ended

September 30, 2009, and adoption did not result in a material impact on our financial statements.

Note 4 Fair Value Measurements

On January 1, 2008, the Company adopted ASC 820, *Fair Value Measurements and Disclosures*. This ASC Topic defines fair value, establishes a framework for measuring fair value in GAAP, and requires certain disclosures about fair value measurements. ASC 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 other 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.

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The following table presents, for each of the fair value hierarchy levels identified under ASC 820, the Company s financial assets that are required to be measured at fair value at September 30, 2009 and December 31, 2008:

	Amount Recorded on Balance Sheet	Fair Value Measurements at Reporting Date: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets as of September 30, 2009 - Unaudited:				
Cash and cash equivalents	$ 80,346	$ 80,346		
Short-term investments	$ 5,016	$ 5,016		
Assets as of December 31, 2008:				
Cash and cash equivalents	$ 73,018	$ 73,018		
Short-term investments	$ 15,036	$ 15,036		

In addition to the assets listed in the table, other financial instruments of the Company consist of accounts receivable, accounts payable and certain accrued liabilities. Under ASC 820, the carrying value of the Company s long-term debt approximates fair value based on comparison with current prevailing market rates for loans of similar risks and maturities. The Company s other financial instruments generally approximate fair market value based on the short-term nature of these instruments.

Note 5 Accounts Receivable

The following is a summary of accounts receivable:

	September 30, 2009 (Unaudited)	December 31, 2008
Contracts receivable, net of allowance for doubtful accounts of $200	$ 61,873	$ 73,430
Retention	19,766	15,804
	81,639	89,234
Due from affiliates	1	17
Other accounts receivable	170	1,575
	$ 81,810	$ 90,826

Amounts due from affiliates primarily relate to amounts due from related parties (see Note 7, *Equity Method Investments* and Note 10, *Related Party Transactions*) for the performance of construction contracts. Contract revenues earned from related parties were $9,472 and $5,803 for the three months, and $15,083 and $15,144 for the nine months ended September 30, 2009 and 2008, respectively.

At September 30, 2009 and December 31, 2008 amounts due from Otay Mesa Power Partners totaling $726 and $1,340, respectively, are included in contracts receivable (see Note 7, *Equity Method Investments*).

Note 6 Costs and Estimated Earnings on Uncompleted Contracts

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

	September 30, 2009	December 31, 2008
	(Unaudited)	
Costs incurred on uncompleted contracts	$ 1,100,834	$ 1,267,650
Provision for estimated loss on uncompleted contracts	567	700
Gross profit recognized	95,714	95,608
	1,197,115	1,363,958
Less: billings to date	(1,247,783)	(1,415,605)
	$ (50,668)	$ (51,647)

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

	September 30, 2009 (Unaudited)	December 31, 2008
Costs and estimated earnings in excess of billings	$ 22,369	$ 21,017
Billings in excess of cost and estimated earnings	(73,037)	(72,664)
	$ (50,668)	$ (51,647)

Note 7 Equity Method Investments

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 project and accounts for its investment in OMPP using the equity method. ARB, one of the subsidiaries of the Company, acts as one of OMPP s primary subcontractors and has contracts with OMPP totaling $48,681 as of September 30, 2009. ARB recognized $13,158 in related revenues in the nine months ended September 30, 2009 and $14,842 in the nine months ended September 30, 2008. These revenues are included in the contract revenues earned from related parties as stated in Note 5, *Accounts Receivable* .

	September 30, 2009 (Unaudited)	December 31, 2008
Otay Mesa Power Partners Joint Venture		
Balance sheet data		
Assets	$ 13,550	$ 48,775
Liabilities	5,813	50,540
Net assets	$ 7,737	$ (1,765)
Company s equity investment in venture	$ 2,479	$ (706)

	Three months ended September 30 2009 (Unaudited)	Three months ended September 30 2008 (Unaudited)	Nine months ended September 30, 2009 (Unaudited)	Nine months ended September 30, 2008 (Unaudited)
Earnings data:				
Revenue	$ 19,229	$ 29,261	$ 97,615	$ 77,437
Gross profit	$ 2,439	$ 3,622	$ 17,997	$ 10,946
Earnings before taxes	$ 2,439	$ 3,686	$ 18,002	$ 11,254
Company s equity in earnings	$ 1,500	$ 1,474	$ 6,585	$ 4,501

OMPP distributed $8,500 to its equity holders during the nine months ended September 30, 2009, 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 the related partner s share of calculated profits as determined at the completion of the underlying contract. The deficit shown in the table above due to the excess distributions received as of December 31, 2008 was included in accrued expenses on the Company s condensed consolidated balance sheet.

The Company has a 49% interest in ARB Arendal, SRL de CV (ARB Arendal), and accounts for this investment under the equity method. ARB Arendal engages in construction activities in Mexico. Because of the uncertainty on the outcome of the negotiations of ARB Arendal with a major customer in Mexico, the Company determined there was an other than temporary impairment of its investment in and advances to ARB Arendal. The Company wrote down the investment to $0 as of December 31, 2007, and has reserved advances of $1,036 made during the nine months ended September 30, 2009 and has not recognized any earnings for the three and nine months ended September 30, 2009 and 2008.

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. The Company s equity in earnings was a loss of $ 60 for the three months ended September 30, 2009 and a loss of $206 for the nine months ended September 30, 2009. This resulted in a net investment in All Day of $294 as of September 30, 2009.

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Note 8 Accounts Payable and Accrued Liabilities

At September 30, 2009 and December 31, 2008, accounts payable includes retentions of approximately $8,499 and $7,741, respectively, due to subcontractors, which have been retained pending contract completion and customer acceptance of jobs.

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

	September 30, 2009	December 31, 2008
	(Unaudited)	
Payroll and related employee benefits	$ 11,437	$ 6,981
Insurance, including self-insurance reserves	8,920	9,994
Corporate income taxes and other taxes	938	2,807
Earn-out liability		615
Provision for estimated losses on uncompleted contracts	567	700
Accrued leases and rents	363	917
Accrued overhead cost	843	1,521
OMPP liability		706
Other	2,060	1,826
	$ 25,128	$ 26,067

Note 9 Credit Arrangements

In March 2007, the Company entered into a new revolving line of credit agreement payable to a bank group with an interest rate of prime or at LIBOR plus an applicable margin. The revolving line is secured by substantially all the assets of the Company. The Company can borrow up to $30,000 based on a defined rate of interest, and all amounts borrowed under the line of credit are due March 31, 2010. There were no amounts outstanding under the line of credit at September 30, 2009 or December 31, 2008, other than letters of credit issued in the amounts of $677 and $677, respectively, which reduces the amount available on the revolving line. This revolving line of credit agreement was terminated in October 2009. See Note 15 Subsequent Events .

In January 2008, the Company entered into a credit facility (as amended) for purposes of issuing commercial letters of credit in Canada, for an amount up to 10 million Canadian dollars. The credit facility with a Canadian bank is for a term of five years, and provides for an annual fee of 1% for any issued and outstanding commercial letters of credit. Letters of credit can be denominated in either Canadian or U.S. dollars. As of September 30, 2009 and December 31, 2008, total commercial letters of credit outstanding under this credit facility totaled $4,821 and $4,981 (in U.S. dollars), respectively.

During the third quarter 2009, the Company sold certain equipment and paid down a total of $17.6 million of the underlying construction equipment notes payable. Additionally, the Company refinanced certain equipment with notes payable totaling $10.9 million. The notes are payable over a five year period and include interest at 5.5% to 5.9% per annum. Monthly principal and interest payments are due in the amount of $209, with the final payment due in September 2014. The notes are secured by the related construction equipment.

Note 10 Related Party Transactions

The Company has entered into various transactions with Stockdale Investment Group, Inc. (SIGI). The largest stockholder, Chief Executive Officer, President and Chairman of the Board of Directors of the Company, Brian Pratt, also holds a majority interest in SIGI. In addition, the following two officers and/or directors of the Company also serve as officers and/or directors of SIGI (with their respective positions with SIGI reflected in parentheses): Brian Pratt (chairman and director) and John M. Perisich (secretary).

Two officers and/or directors of the Company also served as officers and directors of SIGI in the past, including John P. Schauerman (president and director) and Scott Summers (vice president and director).

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The Company leases properties from SIGI located in Bakersfield, Pittsburg and San Dimas, California, as well as a property in Pasadena, Texas. During the nine months ended September 30, 2009 and 2008, the Company paid $613 and $561, respectively, in lease payments to SIGI for the use of these properties. Prior to the Merger, the Company also leased certain construction and transportation equipment from SIGI. This equipment was purchased from SIGI on the closing date of the Merger and the equipment leases were terminated.

The Company leased an airplane from SIGI for business use. During the nine months ended September 30, 2009 and 2008, the Company paid $70 and $179, respectively, in lease payments to SIGI for use of the airplane. This lease commenced on May 1, 2004 and was terminated on March 31, 2009 when SIGI sold the airplane.

The Company leases certain property from Roger Newnham, a manager at the subsidiary Born Heaters Canada. The property is located in Calgary, Canada. This lease was entered into on similar terms as negotiated with an independent third party. During the nine-month period ended September 30, 2009 and 2008, the Company paid $256 and $224, respectively, in lease payments to Mr. Newnham for the use of this property. The three-year lease for the Calgary property commenced in October 2005 and was renewed and extended until September 2010.

Note 11 Income Taxes and Pro Forma Net Income

Income Taxes

The effective tax rate for the three and nine months ended September 30, 2009 was 37.0% and 38.0%, respectively. The rate for both the three months and nine months ended September 30, 2009 differs from the U.S. federal statutory rate of 35% due primarily to state income tax and offset by a 2% impact of the Domestic Production Activity Deduction .

To determine its quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions to which the Company is subject. Significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rate from quarter to quarter.

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

As of September 30, 2009 and December 31, 2008, there were no recorded liabilities related to unrecognized tax benefits. Management does not anticipate that there will be a material change in the balance of unrecognized tax benefits within the next 12 months.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

On July 31, 2008, we completed a merger (Merger) of Rhapsody Acquisition Corp. and Primoris Corporation, a privately held Nevada corporation (Former Primoris). Prior to the Merger, Former Primoris elected to be taxed in accordance with Subchapter S of the United States Internal Revenue Code (Code) and similar codes for certain states. While this election was in effect, income was taxed for federal income tax purposes to the stockholders of Former Primoris. Accordingly, no provision for federal income tax was required by Former Primoris. As a result, the effective tax rate for the nine months ended September 30, 2008 was 7.1%. The effective tax rate for the three months ended September 30, 2008, now taxed at corporate rates for two of the three months, was 14.7%. The low rate for this three-month period included the impact of a $3.0 million tax benefit for establishing our beginning deferred tax assets.

Pro Forma Net Income

Pro forma net income is shown on the condensed consolidated statements of income, and reflects an adjustment for income tax at the applicable statutory rates as if the Company had been taxed in accordance with Subchapter C of the Code since the beginning of 2008 using an effective tax rate of 39.8%.

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Note 12 Dividends and Earnings Per Share

The Company declared cash dividends during the year on March 16, 2009, May 19, 2009 and August 7, 2009. Each declaration represented a cash dividend of $0.025 per common share, payable to stockholders of record as of the end of each quarterly period. The first quarterly dividend was paid on April 15, 2009, the second quarterly dividend was paid on July 15, 2009 and the third quarterly dividend is payable to stockholders of record as of September 30, 2009. The third quarterly dividend, totaling $812 was paid on October 15, 2009.

The table below presents the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2009 and 2008:

	Three months ended September 30, 2009 (Unaudited)	Three months ended September 30, 2008 (Unaudited)	Nine months ended September 30, 2009 (Unaudited)	Nine months ended September 30, 2008 (Unaudited)
Numerator:				
Net income	$ 7,947	$ 10,086	$ 22,167	$ 28,637
Net income (pro forma 2008) (1)	$ 7,947	$ 7,114	$ 22,167	$ 18,554
Denominator:				
Weighted average shares for computation of basic earnings per share	32,477	27,824	31,699	25,010
Dilutive effect of warrants and units (2)	1,571	1,581	650	531
Dilutive effect of contingently issuable shares (3)		1,658	779	552
Weighted average shares for computation of diluted earnings per share	34,048	31,063	33,128	26,093
Basic earnings per share	$ 0.24	$ 0.36	$ 0.70	$ 1.15
Diluted earnings per share	$ 0.23	$ 0.32	$ 0.67	$ 1.10
Basic earnings per share (pro forma 2008) (1)	$ 0.24	$ 0.26	$ 0.70	$ 0.74
Diluted earnings per share (pro forma 2008) (1)	$ 0.23	$ 0.23	$ 0.67	$ 0.71

(1) As discussed in Note 11 *Income Taxes and Pro Forma Net Income* , pro forma 2008 net income and earnings per share are shown on the condensed consolidated statements of income and reflect an adjustment for income tax at the applicable statutory rates as if the Company had been taxed in accordance with Subchapter C of the Code since the beginning of 2008 using an effective tax rate of 39.8 percent.

(2) Represents the dilutive effect of 4,705,956 common stock warrants with a strike price of $5.00 per share and the effect of the Units available under the Unit Purchase Option (UPO) at a purchase price of $8.80 per Unit. The UPO provides for the purchase of 450,000 Units. Each Unit consists of one share of common stock plus one warrant to purchase a share of common stock at a strike price of $5.00 per share.

(3) Represents the dilutive effect of 2,500,025 shares of Company stock that were issued to the Former Primoris stockholders on March 17, 2009. These shares were to be issued contingent upon attaining certain defined performance targets in 2008. The 2008 targets were met in September 2008 and were included as part of the diluted shares outstanding. Subsequent to the shares being issued on March 17, 2009, the shares were included as part of the basic weighted average shares outstanding. No dilutive impact is included for an additional 2,499,975 shares of stock, which may be issued in 2010, contingent upon meeting a defined financial performance target for 2009. The Company has achieved approximately 90% of the 2009 performance target as of September 30, 2009.

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Note 13 Commitments and Contingencies

Leases The Company leases certain property and equipment under non-cancelable operating leases, which expire at various dates through 2019. The leases require the Company to pay all taxes, insurance, maintenance and utilities with respect to such property and equipment.

Certain of these leases are with related entities, which share similar ownership by stockholders, officers, and directors with the Company. The leases are classified as operating leases in accordance with ASC 840 *Leases* .

Total lease expense during the three and nine months ended September 30, 2009 amounted to approximately $1,481 and $4,775, respectively, including amounts paid to related parties of $303 and $868 respectively. Total lease expense during the three and nine months ended September 30, 2008 amounted to approximately $2,165 and $5,965, including amounts paid to related parties of $843 and $1,364 respectively.

Letters of credit At September 30, 2009 and December 31, 2008, the Company had letters of credit outstanding of approximately $5,498 and $5,658, respectively.

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

Bonding As of September 30, 2009 and December 31, 2008, the Company had bid and payment/performance bonds issued and outstanding totaling $207,381 and $353,008, respectively.

Note 14 Reportable Operating Segments

The Company operates in two reportable segments: Construction Services and Engineering. In the following tables, all intersegment revenues and gross profit have been eliminated, which were immaterial.

The following table sets forth the Company s revenue by segment for the three months ended September 30, 2009 and 2008:

		For the three months ended September 30,			
		2009		2008	

Segment	Revenue	% of Segment Revenue	Revenue	% of Segment Revenue
	(Unaudited)			
Construction Services	$ 99,643	89.4%	$ 116,807	79.6%
Engineering	11,848	10.6%	29,930	20.4%
Total	$ 111,491	100.0%	$ 146,737	100.0%

The following table sets forth the Company s revenue by segment for the nine months ended September 30, 2009 and 2008:

	For the nine months ended September 30,			
	2009		2008	
Segment	Revenue	% of Segment Revenue	Revenue	% of Segment Revenue
	(Unaudited)			
Construction Services	$ 323,152	88.0%	$ 383,504	83.6%
Engineering	43,977	12.0%	75,068	16.4%
Total	$ 367,129	100.0%	$ 458,572	100.0%

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The following table sets forth the Company s gross profit by segment for the three months ended September 30, 2009 and 2008:

	For the three months ended September 30,			
	2009		2008	
Segment	Gross Profit	% of Segment Revenue	Gross Profit	% of Segment Revenue
	(Unaudited)			
Construction Services	$ 17,754	17.8 %	$ 19,333	