Willbros Group, Inc.\NEW\
Form 10-Q
May 08, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from _______ to _______

Commission file number 1-34259

Willbros Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**30-0513080**
(Jurisdiction of incorporation)	**(I.R.S. Employer Identification Number)**

4400 Post Oak Parkway

Suite 1000

Houston, TX 77027

Telephone No.: 713-403-8000

(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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 ¨

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

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	¨	Accelerated Filer	x
Non-Accelerated Filer	¨	Smaller reporting company	¨

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

The number of shares of the registrant s Common Stock, $.05 par value, outstanding as of May 3, 2012 was 49,014,123.

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WILLBROS GROUP, INC.

FORM 10-Q

FOR QUARTER ENDED MARCH 31, 2012

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,939	$ 58,686
Accounts receivable, net	302,349	301,515
Contract cost and recognized income not yet billed	59,451	37,090
Prepaid expenses and other assets	37,173	43,129
Parts and supplies inventories	12,676	11,893
Deferred income taxes	1,811	1,845
Assets held for sale	26,699	32,758
Total current assets	489,098	486,916
Property, plant and equipment, net	157,704	166,475
Goodwill	8,067	8,067
Other intangible assets, net	176,015	179,916
Other assets	26,760	20,397
Total assets	$ 857,644	$ 861,771
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 246,012	$ 221,557
Contract billings in excess of cost and recognized income	35,932	18,000
Current portion of capital lease obligations	2,460	2,818
Notes payable and current portion of long-term debt	30,454	31,623
Current portion of settlement obligation of discontinued operations	10,000	14,000
Accrued income taxes	5,396	4,983
Liabilities held for sale	14,352	13,990
Other current liabilities	10,866	7,475
Total current liabilities	355,472	314,446
Long-term debt	202,060	230,707
Capital lease obligations	3,150	3,646
Long-term portion of settlement obligation of discontinued operations	41,500	41,500
Long-term liabilities for unrecognized tax benefits	4,310	4,030
Deferred income taxes	2,898	2,994
Other long-term liabilities	36,450	32,870
Total liabilities	645,840	630,193
Contingencies and commitments (Note 12)		
Stockholders equity:		

Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued		
Common stock, par value $.05 per share, 70,000,000 shares authorized and 49,900,183 shares issued at March 31, 2012 (49,423,152 at December 31, 2011)	2,503	2,471
Capital in excess of par value	682,675	680,289
Accumulated deficit	(476,564)	(455,840)
Treasury stock at cost, 893,724 shares at March 31, 2012 (829,526 at December 31, 2011)	(11,265)	(10,839)
Accumulated other comprehensive income	13,449	14,570
Total Willbros Group, Inc. stockholders equity	210,798	230,651
Noncontrolling interest	1,006	927
Total stockholders equity	211,804	231,578
Total liabilities and stockholders equity	$ 857,644	$ 861,771

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Contract revenue	$ 419,090	$ 323,789
Operating expenses:		
Contract	386,957	307,585
Amortization of intangibles	3,920	3,917
General and administrative	38,723	38,750
Changes in fair value of contingent earn-out		(6,000)
Other charges	102	145
	429,702	344,397
Operating loss	(10,612)	(20,608)
Other income (expense):		
Interest expense, net	(7,894)	(14,800)
Loss on early extinguishment of debt	(2,256)	
Other, net	(265)	(221)
	(10,415)	(15,021)
Loss from continuing operations before income taxes	(21,027)	(35,629)
Provision for income taxes	1,652	1,532
Loss from continuing operations	(22,679)	(37,161)
Income (loss) from discontinued operations net of provision (benefit) for income taxes	2,299	(7,458)
Net loss	(20,380)	(44,619)
Less: Income attributable to noncontrolling interest	(344)	(271)
Net loss attributable to Willbros Group, Inc.	$ (20,724)	$ (44,890)
Reconciliation of net loss attributable to Willbros Group, Inc.		
Loss from continuing operations	$ (23,023)	$ (37,432)
Income (loss) from discontinued operations	2,299	(7,458)
Net loss attributable to Willbros Group, Inc	$ (20,724)	$ (44,890)
Basic income (loss) per share attributable to Company shareholders:		
Loss from continuing operations	$ (0.48)	$ (0.79)
Income (loss) from discontinued operations	0.05	(0.16)
Net loss	$ (0.43)	$ (0.95)

Diluted income (loss) per share attributable to Company shareholders:				
Loss from continuing operations	$	(0.48)	$	(0.79)
Income (loss) from discontinued operations		0.05		(0.16)
Net loss	$	(0.43)	$	(0.95)
Weighted average number of common shares outstanding:				
Basic		47,781,396		47,315,990
Diluted		47,781,396		47,315,990

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net loss	$ (20,380)	$ (44,619)
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	(1,004)	2,837
Changes in derivative financial instruments	(117)	113
Total other comprehensive income (loss), net of tax	(1,121)	2,950
Total comprehensive loss	(21,501)	(41,669)
Less: Comprehensive income attributable to noncontrolling interests	(344)	(271)
Total comprehensive loss attributable to Willbros Group, Inc.	$ (21,845)	$ (41,940)

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended March 31, 2012	2011
Cash flows from operating activities:		
Net loss	$ (20,380)	$ (44,619)
Adjustments to reconcile net loss to net cash provided by (used in)operating activities:		
(Income) loss from discontinued operations	(2,299)	7,458
Depreciation and amortization	13,105	16,480
Loss on early extinguishment of debt	2,256	
Changes in fair value of contingent earnout liability		(6,000)
Stock-based compensation	2,088	1,401
Deferred income tax benefit	(298)	(4,942)
Amortization of debt issuance costs	1,126	2,863
Non-cash interest expense	627	3,053
Other non-cash	412	(173)
Changes in operating assets and liabilities:		
Accounts receivable, net	(293)	(8,151)
Contract cost and recognized income not yet billed	(22,353)	(33,585)
Prepaid expenses and other assets	(2,436)	(1,651)
Accounts payable and accrued liabilities	25,786	43,847
Accrued income taxes	637	(1,218)
Contract billings in excess of cost and recognized income	17,880	(567)
Other liabilities	4,705	(4,673)
Cash provided by (used in) operating activities of continuing operations	20,563	(30,477)
Cash used in operating activities of discontinued operations	(13,010)	(6,725)
Cash provided by (used in) operating activities	7,553	(37,202)
Cash flows from investing activities:		
Proceeds from working capital settlement		9,402
Proceeds from sales of property, plant and equipment	7,627	8,018
Purchase of property, plant and equipment	(3,434)	(1,880)
Cash provided by investing activities of continuing operations	4,193	15,540
Cash provided by investing activities of discontinued operations	8,244	691
Cash provided by investing activities	12,437	16,231
Cash flows from financing activities:		
Proceeds from revolver	25,000	59,357
Payments on capital leases	(908)	(6,284)
Payment of revolver and notes payable	(26,404)	(60,563)
Payments on term loan	(30,000)	(28,750)
Payments to reacquire common stock	(426)	(357)
Costs of debt issues		(4,935)
Dividend distribution to noncontrolling interest	(265)	(332)

Cash used in financing activities of continuing operations	(33,003)	(41,864)
Cash used in financing activities of discontinued operations		(3)
Cash used in financing activities	(33,003)	(41,867)
Effect of exchange rate changes on cash and cash equivalents	(1,470)	1,026
Net decrease in cash and cash equivalents	(14,483)	(61,812)
Cash and cash equivalents of continuing operations at beginning of period	58,686	134,305
Cash and cash equivalents of discontinued operations at beginning of period	4,759	6,796
Cash and cash equivalents at beginning of period	63,445	141,101
Cash and cash equivalents at end of period	48,962	79,289
Less: cash and cash equivalents of discontinued operations at end of period	(23)	(11,025)
Cash and cash equivalents of continuing operations at end of period	$ 48,939	$ 68,264
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	$ 1,122	$ 8,809
Cash paid for income taxes (including discontinued operations)	$ 1,311	$ 2,417

See accompanying notes to condensed consolidated financial statements.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

1. The Company and Basis of Presentation

Willbros Group, Inc., a Delaware corporation, and its subsidiaries (the Company, Willbros or WGI), is a global contractor specializing in energy infrastructure, serving the oil and gas, refinery, petrochemical and power industries. The Company s offerings include engineering, procurement and construction (either individually or as an integrated EPC service offering); ongoing maintenance; and other specialty services. The Company s principal markets for continuing operations are the United States, Canada, and Oman. The Company obtains its work through competitive bidding and through negotiations with prospective clients. Contract values range from several thousand dollars to several hundred million dollars and contract durations range from a few weeks to more than two years.

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2011, which has been derived from audited consolidated financial statements, and the unaudited Condensed Consolidated Financial Statements as of March 31, 2012 and 2011, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company s December 31, 2011 audited Consolidated Financial Statements and notes thereto contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the financial position as of March 31, 2012, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the three months ended March 31, 2012 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

The Condensed Consolidated Financial Statements include certain estimates and assumptions made by management. These estimates and assumptions relate to the reported amounts of assets and liabilities at the dates of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expense during those periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, goodwill and parts and supplies inventories; quantification of amounts recorded for contingencies, tax accruals and certain other accrued liabilities; valuation allowances for accounts receivable and deferred income tax assets; and revenue recognition under the percentage-of-completion method of accounting, including estimates of progress toward completion and estimates of gross profit or loss accrual on contracts in progress. The Company bases its estimates on historical experience and other assumptions that it believes to be relevant under the circumstances. Actual results could differ from those estimates.

As discussed in Note 14 Discontinuance of Operations, Held for Sale Operations and Asset Disposals, the Company has disposed of certain assets and operations and intends to dispose of others that are together classified as discontinued operations (collectively the Discontinued Operations). Accordingly, these Condensed Consolidated Financial Statements reflect these operations as Discontinued Operations in all periods presented. The disclosures in the Notes to the Condensed Consolidated Financial Statements relate to continuing operations except as otherwise indicated.

Reclassifications Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications relate to the classification of the Company s Canadian cross-country pipeline construction operations as discontinued operations as determined during the second quarter of 2011 and the sale of the assets and operations of InterCon Construction Inc. (InterCon) in the fourth quarter of 2011.

Out-of-Period Adjustments The Company recorded out-of-period adjustments during the three months ended March 31, 2012 to correct errors to eliminate Cumulative Translation Adjustment balances that stemmed from the dissolution and liquidation of foreign currency based subsidiaries in jurisdictions where the Company no longer conducts business. The net impact of these adjustments for the three months ended March 31, 2012, was an increase to the Company s income from discontinued operations and a decrease to net loss in the amount of $2,805. The adjustments did not have any impact on the Company s pre-tax loss or loss from continuing operations for the three months ended March 31,

2012. The Company does not believe these adjustments are material, individually or in the aggregate, to its unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2012 after considering its expected 2012 annual financial results, nor does it believe such items are material to any of its previously issued annual or quarterly financial statements.

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

2. New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued amendments to fair value measurement to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards (IFRS). The amendments result from a joint project with the International Accounting Standards Board, which also issued new guidance on fair value measurements. The amendments provide a framework for how companies should measure fair value when used in financial reporting, and sets out required disclosures. The amendments are intended to clarify how fair value should be measured, predominantly converge the U.S. and IFRS guidance, and expand the disclosures that are required. The standard is effective for public entities for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. The implementation of this accounting guidance did not have a material impact on the Company s consolidated financial statements.

In June 2011, the FASB issued new accounting guidance related to the presentation of comprehensive income in consolidated financial statements. The new accounting guidance requires the presentation of the components of net income and other comprehensive income either in a single continuous financial statement, or in two separate but consecutive financial statements. The accounting standard eliminates the option to present other comprehensive income and its components as part of the statement of stockholders equity. This standard is effective for fiscal years beginning after December 15, 2011, including interim periods, and early adoption is permitted. The Company complied with this new accounting guidance during the quarter ended March 31, 2012.

In September 2011, the FASB issued a new accounting standard related to testing goodwill for impairment. The standard gives entities the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step goodwill impairment test. If an entity believes that, as a result of its qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. An entity can choose to perform the qualitative assessment on none, some or all of its reporting units. An entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test. The standard also includes new qualitative indicators that replace those currently used to determine whether an interim goodwill impairment test is required to be performed. This standard is effective for fiscal years beginning after December 15, 2011, including interim periods, and early adoption is permitted. The implementation of this accounting standard did not have a material impact on the Company s consolidated financial statements.

3. Contracts in Progress

Contract cost and recognized income not yet billed on uncompleted contracts arise when recorded revenues for a contract exceed the amounts billed under the terms of the contracts. Contract billings in excess of cost and recognized income arise when billed amounts exceed revenues recorded. Amounts are billable to customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of the contract. Also included in contract cost and recognized income not yet billed on uncompleted contracts are amounts the Company seeks to collect from customers for change orders approved in scope but not for price associated with that scope change (unapproved change orders). Revenue for these amounts is recorded equal to the lesser of the expected revenue or cost incurred when realization of price approval is probable. Estimating revenues from unapproved change orders involves the use of estimates, and it is reasonably possible that revisions to the estimated recoverable amounts of recorded unapproved change orders may be made in the near-term. If the Company does not successfully resolve these matters, a reduction in revenues may be required to amounts that have been previously recorded.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

3. Contracts in Progress (continued)

Contract cost and recognized income not yet billed and related amounts billed as of March 31, 2012 and December 31, 2011 was as follows:

	March 31, 2012	December 31, 2011
Cost incurred on contracts in progress	$ 746,527	$ 690,196
Recognized income	116,535	94,345
	863,062	784,541
Progress billings and advance payments	(839,543)	(765,451)
	$ 23,519	$ 19,090
Contract cost and recognized income not yet billed	$ 59,451	$ 37,090
Contract billings in excess of cost and recognized income	(35,932)	(18,000)
	$ 23,519	$ 19,090

Contract cost and recognized income not yet billed includes $6,144 and $1,367 at March 31, 2012 and December 31, 2011, respectively, on completed contracts.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company s experience with similar contracts in recent years, the majority of the retention balances at each balance sheet date will be collected within the next twelve months. Retainage balances at March 31, 2012 and December 31, 2011, were approximately $15,999 and $22,328, respectively, and are included in accounts receivable.

4. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2012, by business segment, are detailed below:

	Goodwill	Impairment Reserves	Total, Net
Utility T&D			
Balance as of December 31, 2011	$ 8,067	$	$ 8,067
Impairment losses			
Balance as of March 31, 2012	$ 8,067	$	$ 8,067

The changes in the carrying amounts of intangible assets for the three months ended March 31, 2012 are detailed below:

	Customer Relationships	Trademark / Tradename	Non-compete Agreements	Technology	Total
Balance as of December 31, 2011	$ 162,707	$ 11,984	$ 550	$ 4,675	$ 179,916
Amortization	(3,377)	(350)	(55)	(138)	(3,920)
Other		19			19
Balance as of March 31, 2012	$ 159,330	$ 11,653	$ 495	$ 4,537	$ 176,015
Weighted Average Remaining Amortization Period	12.1yrs	8.1yrs	2.3yrs	8.3yrs	

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 5 to 15 years.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

4. Goodwill and Other Intangible Assets (continued)

Estimated amortization expense for the remainder of 2012 and each of the subsequent five years and thereafter is as follows:

Fiscal year:	
2012	$ 11,729
2013	15,638
2014	15,528
2015	15,418
2016	15,418
2017	15,418
Thereafter	86,866
Total amortization	$ 176,015

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012	December 31, 2011
Trade accounts payable	$ 136,573	$ 124,218
Payroll and payroll liabilities	44,084	35,700
Accrued insurance	23,863	28,198
Other accrued liabilities	41,492	33,441
Total accounts payable and accrued liabilities	$ 246,012	$ 221,557

6. Long-term Debt

Long-term debt as of March 31, 2012 and December 31, 2011 was as follows:

	March 31, 2012	December 31, 2011
Term Loan, net of unamortized discount of $5,400 and $7,138	$ 140,471	$ 168,733
Borrowings under Revolving Credit Facility	59,357	59,357

6.5% Senior Convertible Notes	32,050	32,050
Capital lease obligations	5,610	6,464
Other obligations	636	2,190
Total debt	238,124	268,794
Less: current portion	(32,914)	(34,441)
Long-term debt, net	$ 205,210	$ 234,353

2010 Credit Facility

The Company entered into a new credit agreement dated June 30, 2010 (the 2010 Credit Agreement), among Willbros United States Holdings, Inc. (WUSH), a subsidiary of the Company (formerly known as Willbros USA, Inc.) as borrower, the Company and certain of its subsidiaries, as Guarantors, the lenders from time to time party thereto (the Lenders), Crédit Agricole Corporate and Investment Bank (Crédit Agricole), as Administrative Agent, Collateral Agent, Issuing Bank, Revolving Credit Facility Sole Lead Arranger, Sole Bookrunner and Participating Lender, UBS Securities LLC (UBS), as Syndication Agent, Natixis, The Bank of Nova Scotia and Capital One, N.A., as Co-Documentation Agents, and Crédit Agricole and UBS as Term Loan Facility Joint Lead Arrangers and Joint Bookrunners. The 2010 Credit Agreement consists of a four year, $300,000 term loan facility (Term Loan) maturing in July 2014 and a three-year revolving credit facility of $175,000 maturing in July 2013

WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

6. Long-term Debt (continued)

(the Revolving Credit Facility or the 2010 Credit Facility) and replaced the Company s existing three-year $150,000 senior secured credit facility, which was scheduled to expire in November 2010. The proceeds from the Term Loan were used to pay part of the cash portion of the merger consideration payable in connection with the Company s acquisition of InfrastruX Group, Inc. (InfrastruX).

The initial aggregate amount of commitments for the Revolving Credit Facility totaled $175,000. An accordion feature permits the Company to increase the size of the facility by up to $75,000, subject to the agreement of each of the Lenders who participate in the increased commitment and only if the total leverage ratio, on a pro forma basis, after giving effect to the commitment increase, will not exceed 2.75 to 1.00 and the Company is in compliance with certain other terms of the Revolving Credit Facility. The Revolving Credit Facility is available for letters of credit and for revolving loans, which may be used for working capital and general corporate purposes. The Company is able to utilize 100 percent of the Revolving Credit Facility to obtain letters of credit and will have a sublimit of $150,000 for revolving loans.

On March 4, 2011, the 2010 Credit Agreement was amended to allow the Company to make certain dispositions of equipment, real estate and business units. In most cases, proceeds from these dispositions would be required to pay-down the existing Term Loan made pursuant to the 2010 Credit Agreement. Financial covenants and associated definitions, such as Consolidated EBITDA, were also amended to permit the Company to carry out its business plan and to clarify the treatment of certain items. Further, the Company has agreed to limit its revolver borrowings to $25,000, with the exception of proceeds from revolving borrowings used to make any payments in respect of both the 2.75% Convertible Senior Notes (the 2.75% Notes) and the 6.5% Senior Convertible Notes (the 6.5% Notes), until its maximum total leverage ratio is 3.00 to 1.00 or less. This amendment does not change the limit on obtaining letters of credit. The amendment also modifies the definition of Excess Cash Flow to include proceeds from the TransCanada Pipelines, Ltd. (TransCanada) arbitration, which required the Company to use a portion of such proceeds to further pay-down the existing Term Loan. For prepayments made with Net Debt Proceeds or Equity Issuance Proceeds (as those terms are defined in the 2010 Credit Agreement), the amendment requires a prepayment premium of 4% of the principal amount of the Term Loans to be paid before December 31, 2011 and 1% of the principal amount of the Term Loans to be paid on or after December 31, 2011 but before December 31, 2012. Premiums for prepayments made with proceeds other than Net Debt Proceeds or Equity Issuance Proceeds remain the same as set forth under the 2010 Credit Agreement.

Subsequent to this amendment, on March 15, 2011, the Company borrowed $59,357 under the Revolving Credit Facility to fund the purchase of its 2.75% Notes. These borrowings are included in Long-term debt at March 31, 2012.

During the three months ended March 31, 2012, the Company made a $30,000 payment against its Term Loan that resulted in the recognition of a $2,256 loss on early extinguishment of debt. These losses represent the write-off of unamortized Original Issue Discount and financing costs inclusive of early payment fees.

Interest payable under the 2010 Credit Agreement is determined by the loan type. Base rate loans require annual interest payments equal to the adjusted base rate plus the applicable margin for base rate loans. The adjusted base rate is equal to the highest of (a) the Prime Rate in effect for such day, (b) the sum of the Federal Funds Effective Rate in effect for such day plus 1/2 of 1.0% per annum, (c) the sum of the Prime, London Inter-Bank Offered Rate (LIBOR) or Eurocurrency Rate in effect for such day with a maturity of one month plus 1.0% per annum and (d) with respect to Term Loans only is 3.0% per annum. The applicable margin for base rate loans is 6.50% per annum for Term Loans and a fixed margin based on the Company s leverage ratio for revolving advances. Eurocurrency rate loans require annual interest payments equal to the Eurocurrency Rate plus the applicable margin for Eurocurrency rate loans. The Eurocurrency Rate is equal to the LIBOR rate in effect for such day, subject to a 2.0% floor for Term Loans only. The applicable margin for Eurocurrency rate loans is 7.50% per annum for Term Loans and a fixed margin based on the Company s leverage ratio for revolving advances. As of March 31, 2012, the interest rate on the Term Loan (currently a Eurocurrency rate loan) was 9.5%. Interest payments on the Eurocurrency rate loans are payable in arrears on the last day of such interest period, and, in the case of interest periods of greater than three months, on each business day which occurs at three month intervals from the first day of such interest period. Interest payments on base rate loans are payable quarterly in arrears on the last business day of each calendar quarter. Additionally, the Company is required under the terms of the 2010 Credit Agreement to maintain in effect one or more hedging arrangements to fix or otherwise limit the interest cost with respect to at least 50 percent of the aggregate outstanding principal amount of the Term Loan.

The Term Loan was issued at a discount such that the funded portion was equal to 94 percent of the principal amount of the Term Loan. Accordingly, the Company recognized an $18,000 discount on the Term Loan that is being amortized over the four-year term of the Term Loan.

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WILLBROS GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(Unaudited)

6. Long-term Debt (continued)

The 2010 Credit Facility is secured by substantially all of the assets of WUSH, the Company and the other Guarantors. The 2010 Credit Agreement prohibits the Company from paying cash dividends on its common stock.

The 2010 Credit Agreement was amended, effective March 29, 2012, to eliminate the minimum Net Tangible Worth covenant.

The table below sets forth the primary covenants in the 2010 Credit Agreement and the status with respect to these covenants as of March 31, 2012.

	Covenants Requirements[1]	Actual Ratios at March 31, 2012
Maximum Total Leverage Ratio (debt divided by Covenant EBITDA) should be less than:	3.75 to 1	2.82
Minimum Interest Coverage Ratio (Covenant EBITDA divided by interest expense as defined in the 2010 Credit Agreement) should be greater than:	2.25 to 1	3.27

(1) The Maximum Total Leverage Ratio decreases to 3.50 as of June 30, 2012 and 3.25 as of December 31, 2012. The Minimum Interest Coverage Ratio increases to 2.75 as of June 30, 2012.

The Maximum Total Leverage Ratio requirement decreased to 3.75 to 1 as of March 31, 2012 from 4.75 to 1 at December 31, 2011. Depending on its financial performance, the Company may be required to request amendments, or waivers for the primary covenants, dispose of assets, or obtain refinancing in future periods. There can be no assurance that the Company will be able to obtain amendments or wa