ANNUAL MEETING
STOCKHOLDERS
OF
ORION GROUP HOLDINGS, INC.,
A DELAWARE CORPORATION

May 24, 2018

The Annual Meeting of the Stockholders of Orion Group Holdings, Inc., a Delaware corporation (the **"Company"**), was held online at www.virtualshareholdermeeting.com/orn2018 facilitated from the Marriott Marquis located at 1777 Walker Street, Houston, Texas 77010, on May 24, 2018, at 10:00 a.m., Central Standard time pursuant to written notice given by the Secretary. The meeting was held via internet/audio linkage.

In accordance with the By-Laws, Richard L. Daerr, Chairman of the Board, presided over the meeting, and Peter R. Buchler, Executive Vice President, General Counsel, and Secretary of the Company, served as Secretary of the meeting. Others in attendance in person were Messrs. Thomas N. Amonett, Director; Austin J. Shanfelter, Director; J. Michael Pearson, Director; Mark R. Stauffer, Director, President and Chief Executive Officer; and Christopher J. DeAlmeida, Executive Vice President and Chief Financial Officer.

Mr. Buchler presented the **Affidavit of Distribution** (attached hereto as **Exhibit "A"**), to the effect that on April 11, 2018, the **Notice of Meeting, Proxy Statement, Proxy Card and the 2017 Annual Report** (attached hereto as **Exhibit "B"**) were distributed to all individuals, firms and companies who were identified as stockholders of record as of the close of business on March 28, 2018, by Broadridge, in accordance with the By-Laws of the Company, and that such materials were so distributed at the direction of the Secretary. He was then directed to attach the Notice of Meeting, Proxy Statement, 2017 Annual Report and Affidavit of Distribution to the minutes of the meeting.

The Chairman appointed Beth VanDerbeck of Broadridge as Inspector of Elections to determine the validity of proxies and the qualifications of voters, to collect and count votes and to report the results in writing. Ms. VanDerbeck thereupon submitted her **Oath as Inspector of Elections** (attached hereto as **Exhibit "C"**), duly subscribed by her in accordance with the By-Laws, and the Secretary was directed to attach same to the minutes of the meeting.

At the request of the Chairman, Mr. Buchler stated the Inspector of Elections has reported that at the close of business on March 28, 2018, there were issued and outstanding 28,088,826 shares of Common Stock each of which was entitled to one vote and that present at this meeting either

personally or represented by valid proxy were the holders of 26,015,979 votes (constituting approximately 92.62% of the voting power of the outstanding Common Stock of the Company entitled to vote).

The Chairman next announced that legal notice of the meeting had been given, that a quorum was present and that the meeting was lawfully convened and ready to transact business.

Mr. Buchler stated that the **List of Stockholders of the Company** (attached hereto as **Exhibit "D"**) entitled to vote at the meeting was available at the meeting.

The Chairman stated that the minutes of the last Annual Stockholders Meeting (2017) were also available and that, unless there were any objections, the reading of such minutes would be dispensed with.

The Chairman introduced all members of the Board of Directors present and Messrs. DeAlmeida and Buchler. The Chairman then stated that all matters set forth in the proxy statement would be considered and voted upon. He further stated that all votes must be by official **Ballot** (a copy of which is to be attached hereto as **Exhibit "E"**) and stockholders voting online should mark their ballots after each item of business had been brought before the meeting and discussed.

The Chairman announced that the first item of business was the re-election of two Class II members to our Board of Directors, each to serve a three-year term and until his successor is duly elected and qualified. The Chairman then declared the following were duly nominated to serve as Class II members:

Richard L. Daerr

J. Michael Pearson

The Chairman called for any discussion on such nominations and following a short pause noted that there was none.

The Chairman stated that the second item of business was a non-binding advisory proposal to approve the compensation of our named executive officers as disclosed on the Proxy Statement (the "say-on-pay" vote). The Chairman called for any discussion on this matter and following a short pause noted that there was none.

The Chairman stated that the third and final item of business was the ratification of the appointment of KPMG, LLP as the Company's independent registered public accounting firm for 2018. He then called for any discussion on this proposal and, following a short pause, noted that there was none.

Thereafter, the Chairman asked the stockholders and proxies to complete and sign their ballots and the Inspector of Elections to collect same and to tabulate the votes. (Please note that the **Ballot of Management Appointed Proxies** is attached hereto as **Exhibit "F"**).

While the ballots were being collected and the votes being tabulated, the Chairman noted that at this point Mr. Stauffer normally presents a Company Update. However, Mr. Stauffer advised all attendees that, in the interest of time and unless objected to, a Company Update would not be presented.

At the request of the Chairman, Mr. Buchler reported that of the 26,015,979 votes present in person or by proxy:

(1) not less than approximately 21,455,704 votes were cast in favor of election of the nominee for **Richard L. Daerr, Jr.** to serve on the Board of Directors for a three-year term, and that this affirmative vote constituted approximately 82.47% of the votes present in person or by proxy at the meeting; that not less than approximately 18,912,593 votes were cast in favor of election of the nominee for **J. Michael Pearson** to serve on the Board of Directors for a three-year term, and that this affirmative vote constituted approximately 72.69% of the votes present in person or by proxy at the meeting;

(2) that 23,243,031 votes were cast in favor of the non-binding advisory vote (the "say-on-pay" vote) and that this affirmative vote constituted approximately 89.34% of the votes present in person or by proxy at the meeting; and

(3) that not less than approximately 26,002,100 votes were cast in favor of the proposal to ratify the appointment of **KPMG, LLP** as the Company's independent auditors for 2018 and that this affirmative vote constituted approximately 99.94% of the votes present in person or by proxy at the meeting.

The Chairman then stated that based upon the results of the balloting at the meeting, (1) Messrs. Daerr and Pearson have been elected to serve on the Board of Directors for a three-year term, (2) compensation for Named Executive Officers has been approved; and (3) the appointment of KPMG, LLP as the independent auditors of the Company for 2018 has been ratified.

There being no further business to come before the meeting, upon motion duly made, seconded and carried, the meeting was adjourned at 10:25 a.m. Central Standard time.

Following adjournment, a question and answer period convened and ended at 10:27 a.m. Central Standard time.

Peter R. Buchler, Secretary

EXHIBITS:

Exhibit "A" – Affidavit of Distribution
Exhibit "B" – Notice of Meeting, Proxy and Proxy Statement; and 2017 Annual Report
Exhibit "C" – Oath of Inspector of Election
Exhibit "D" – List of Stockholders
Exhibit "E" – Official Ballot
Exhibit "F" – Ballot of Management Appointed Proxies
Exhibit "G" – Final Report of Inspector of Election

Broadridge Financial Solutions, Inc.
51 Mercedes Way
Edgewood, New York 11717
631-254-7400

EXHIBIT "A"

Broadridge

◆ Proxy Services ◆ ShareLink ◆ StreetLink ◆ Prospectus Fulfillment ◆ Statements ◆ Confirms

AFFIDAVIT OF DISTRIBUTION

STATE OF NEW YORK)
) ss:
COUNTY OF SUFFOLK)

Philip Barone, being duly sworn, deposes and says: I am employed with Broadridge Financial Solutions, Inc., and I caused to be processed and distributed 17 records relating to the ORION GROUP HOLDINGS, INC. Annual Meeting scheduled for May 24, 2018. The said records were supplied by American Stock Transfer to Broadridge Financial Solutions, Inc.
Packages were mailed and deposited with the United States Post Office Farmingdale, New York commencing on April 11, 2018.

Philip Barone
Supervisor
Broadridge Financial Solutions, Inc.

Sworn to and subscribed to
before me this 23rd day
of April, 2018

Marialena Fagan
Notary Public

Marialena Fagan
Notary Public - State of New York
No. 01FA6117520
Qualified in Suffolk County
My Commission Expires January 21, 21

*** Exercise Your *Right* to Vote ***

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 24, 2018.

ORION GROUP HOLDINGS, INC.

Meeting Information

Meeting Type: Annual Meeting
For holders as of: March 28, 2018
Date: May 24, 2018 **Time:** 10:00 a.m., CDT
Location: Meeting live via the Internet-please visit www.virtualshareholdermeeting.com/ORN2018.

The company will be hosting the meeting live via the Internet this year. To attend the meeting via the Internet please visit www.virtualshareholdermeeting.com/ORN2018 and be sure to have the information that is printed in the box marked by the arrow → XXXX XXXX XXXX XXXX (located on the following page).

You are receiving this communication because you hold shares in the company named above.

This is not a ballot. You cannot use this notice to vote these shares. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. You may view the proxy materials online at www.proxyvote.com or easily request a paper copy (see reverse side).

We encourage you to access and review all of the important information contained in the proxy materials before voting.

See the reverse side of this notice to obtain proxy materials and voting instructions.

E40757-P06267

Before You Vote

How to Access the Proxy Materials

Proxy Materials Available to VIEW or RECEIVE:

NOTICE AND PROXY STATEMENT ANNUAL REPORT

How to View Online:

Have the information that is printed in the box marked by the arrow → XXXX XXXX XXXX XXXX (located on the following page) and visit: *www.proxyvote.com.*

How to Request and Receive a PAPER or E-MAIL Copy:

If you want to receive a paper or e-mail copy of these documents, you must request one. There is NO charge for requesting a copy. Please choose one of the following methods to make your request:

1) *BY INTERNET*: www.proxyvote.com
2) *BY TELEPHONE*: 1-800-579-1639
3) *BY E-MAIL**: sendmaterial@proxyvote.com

* If requesting materials by e-mail, please send a blank e-mail with the information that is printed in the box marked by the arrow → XXXX XXXX XXXX XXXX (located on the following page) in the subject line.

Requests, instructions and other inquiries sent to this e-mail address will NOT be forwarded to your investment advisor. Please make the request as instructed above on or before May 10, 2018 to facilitate timely delivery.

How To Vote

Please Choose One of the Following Voting Methods

Vote By Internet:

Before The Meeting:

Go to *www.proxyvote.com*. Have the information that is printed in the box marked by the arrow → XXXX XXXX XXXX XXXX (located on the following page) available and follow the instructions.

During The Meeting:

Go to *www.virtualshareholdermeeting.com/ORN2018*. Have the information that is printed in the box marked by the arrow → XXXX XXXX XXXX XXXX (located on the following page) available and follow the instructions.

Vote By Mail: You can vote by mail by requesting a paper copy of the materials, which will include a voting instruction form.

E40758-P06267

Voting Items

The Board of Directors recommends you vote FOR the following proposals:

1. To elect two Class II members to our Board of Directors, each to serve a three-year term and until his successor is duly elected and qualified;

   Nominees:

   1a. Richard L. Daerr, Jr.

   1b. J. Michael Pearson

2. A non-binding advisory proposal to approve the compensation of our named executive officers as disclosed in the proxy statement (the "say-on-pay" vote);

3. The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2018; and

NOTE: To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

E40759-P06267

Voting Instructions

E40760-P06267

ORION GROUP HOLDINGS, INC.
12000 AEROSPACE AVENUE, SUITE 300
HOUSTON, TEXAS 77034

VOTE BY INTERNET
Before The Meeting - Go to **www.proxyvote.com**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 10:59 P.M. Central Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

During The Meeting - Go to **www.virtualshareholdermeeting.com/ORN2018**

You may attend the Meeting via the Internet and vote during the Meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 10:59 P.M. Central Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E40761-P06421

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

ORION GROUP HOLDINGS, INC.

The Board of Directors recommends you vote FOR the nominees, FOR proposal 2 and proposal 3:

1. To elect two Class II members to our Board of Directors, each to serve a three-year term and until his successor is duly elected and qualified;
   Nominees:

	For	Against	Abstain
1a. Richard L. Daerr, Jr.	☐	☐	☐
1b. J. Michael Pearson	☐	☐	☐

	For	Against	Abstain
2. A non-binding advisory proposal to approve the compensation of our named executive officers as disclosed in the proxy statement (the "say-on-pay" vote);	☐	☐	☐
3. The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2018; and	☐	☐	☐

NOTE: To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

E40762-P06421

ORION GROUP HOLDINGS, INC.
ANNUAL MEETING OF STOCKHOLDERS
May 24, 2018

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY

Dear Stockholder:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders of Orion Group Holdings, Inc. Our 2018 Annual Meeting will be held on Thursday, May 24, 2018, at 10:00 a.m. CDT. We are very pleased that this year's annual meeting will again be a completely virtual meeting of stockholders. You will be able to attend the 2018 Annual Meeting, vote and submit your questions during the meeting via live webcast by visiting www.virtualshareholdermeeting.com/ORN2018.

The stockholder(s) hereby appoint(s) Mark R. Stauffer, Peter R. Buchler and Christopher J. DeAlmeida, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common/Preferred stock of ORION GROUP HOLDINGS, INC. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held on Thursday, May 24, 2018, at 10:00 a.m. CDT, via webcast, and any adjournment or postponement thereof.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side

ORION GROUP HOLDINGS, INC.
12000 AEROSPACE AVENUE, SUITE 300
HOUSTON, TEXAS 77034

April 11, 2018

To Our Stockholders:

On behalf of the Board of Directors, we cordially invite you to attend the 2018 Annual Meeting of Stockholders of Orion Group Holdings, Inc., which will be held on Thursday, May 24, 2018, at 10:00 a.m. Central Time. You will be able to attend the 2018 Annual Meeting, vote and submit your questions during the meeting via live webcast by visiting *www.virtualshareholdermeeting.com/orn2018.* You will need the multi-digit control number included in your proxy materials in order to be able to enter the Annual Meeting.

At the Annual Meeting, you will be voting on:

(1) The election of two Class II members to our Board of Directors, each to serve a three-year term and until his successor is duly elected and qualified;

(2) A non-binding advisory proposal to approve the compensation of our named executive officers as disclosed in the proxy statement (the "say-on-pay" vote);

(3) The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2018; and

(4) Any other business that may properly come before the Annual Meeting, or any reconvened meeting after an adjournment thereof.

The following pages contain the formal Notice of Annual Meeting and the proxy statement.

IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 24, 2018

You may access an electronic, searchable copy of this proxy statement and the Annual Report on Form 10-K for the year ended December 31, 2017, at *www.proxyvote.com*

This year, as in previous years, we will seek to conserve natural resources and reduce annual meeting costs by electronically disseminating annual meeting materials as permitted under rules of the Securities and Exchange Commission. Many stockholders will receive a Notice of Internet Availability of Proxy Materials containing instructions on how to access annual meeting materials via the Internet. Stockholders may also request mailed paper copies if preferred.

The accompanying proxy statement provides detailed information regarding the matters to be acted upon at the Annual Meeting. In addition to the proxy statement, we have included a copy of our Annual Report to Stockholders, which includes our Annual Report on Form 10-K for the year ended December 31, 2017. The Form 10-K provides information regarding our operations as well as our audited, consolidated financial statements. In accordance with Securities and Exchange Commission rules, the proxy statement and the Form 10-K, as well as our other proxy materials may be found at *www.proxyvote.com.*

Your vote is important. Please vote your shares as soon as possible, as this will ensure representation of your shares. Voting is available online or by telephone, or, if you have received a paper copy of our proxy materials, by paper proxy card. Returning the proxy card or voting by telephone or online does not deprive you of your right to attend the virtual meeting and to vote your shares during the live webcast for the matters to be acted upon at the meeting.

Sincerely,

Peter R. Buchler
Corporate Secretary

Houston, Texas
April 11, 2018

ORION GROUP HOLDINGS, INC.
12000 AEROSPACE AVENUE, SUITE 300
HOUSTON, TEXAS 77034

NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 24, 2018

The proxy statement and accompanying 2018 Annual Report on Form 10-K are available at *www.proxyvote.com*
You may also access the proxy materials and vote your shares at *www.proxyvote.com*

TIME AND DATE: 10:00 a.m. Central Time, on Thursday, May 24, 2018

INTERNET ACCESS: *www.virtualshareholdermeeting.com/orn2018*
Use the multi-digit Control Number provided in your proxy materials

ITEMS OF BUSINESS:

(1) To elect two Class II members to our Board of Directors, each to serve a three-year term and until his successor is duly elected and qualified;

(2) To approve a non-binding advisory proposal on the compensation of our named executive officers as disclosed in the proxy statement (the "say-on-pay" vote);

(3) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2018; and

(4) To transact any other business that may properly come before the Annual Meeting or any reconvened meeting after an adjournment thereof.

RECORD DATE: Only stockholders of record at the close of business on March 28, 2018 are entitled to notice of, and to attend or to vote at, the Annual Meeting and any adjournment or postponement thereof.

PROXY VOTING: It is important that your shares are represented and voted at the Annual Meeting. You may vote your shares online or by telephone, as indicated in the proxy statement or the Notice of Internet Availability of Proxy Materials. If you received a paper copy of our proxy materials, you may also vote your shares by completing and returning the proxy card included in those materials. You can revoke a proxy at any time prior to its exercise at the Annual Meeting by following the instructions in the proxy statement.

You are invited to attend the Annual Meeting through the link at *www.virtualshareholdermeeting.com/orn2018*, and may vote at that time.

This Notice of Annual Meeting of Stockholders and related Proxy Materials are being distributed or made available to stockholders beginning on or about April 13, 2018.

By Order of the Board of Directors

Peter R. Buchler
Corporate Secretary
Houston, Texas

April 11, 2018

ORION GROUP HOLDINGS, INC.
12000 AEROSPACE AVENUE, SUITE 300
HOUSTON, TEXAS 77034
TELEPHONE: (713) 852-6500

PROXY STATEMENT
FOR THE 2018 ANNUAL MEETING OF STOCKHOLDERS

We are providing this proxy statement, and accompanying proxy materials, to the holders of the common stock of Orion Group Holdings, Inc. ("Orion" or the "Company") for use in connection with the 2018 Annual Meeting of Stockholders, and any adjournments or postponements thereof. The Annual Meeting will be held on May 24, 2018, at 10:00 a.m. Central Time, at www.virtualshareholdermeeting.com/orn2018. You may access this site using the multi-digit Control Number provided with your proxy materials. The proxy statement, the enclosed form of proxy, and the Company's Annual Report for the year ended December 31, 2017, are first being distributed or made available to stockholders on or about April 13, 2018.

Our Board of Directors has established March 28, 2018, as the record date (the "record date") for determining the stockholders of record entitled to vote at the Annual Meeting and any adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to vote on matters presented at the Annual Meeting.

This proxy statement contains important information that you should consider when deciding how to vote on the matters to be brought before the Annual Meeting. Please read it and the enclosed materials carefully.

PLEASE VOTE — YOUR VOTE IS IMPORTANT

ABOUT THE COMPANY
GENERAL INFORMATION

Orion Group Holdings, Inc., is a leading specialty construction company in the building, industrial, and infrastructure sectors in the continental United States, Alaska, Canada and the Caribbean Basin. Our marine segment services include marine transportation facility construction, marine pipeline construction, marine environmental structures, dredging of waterways, channels and ports, environmental dredging, design, and specialty services. Our concrete segment provides turnkey concrete construction services including pour and finish, dirt work, layout, forming, rebar, and mesh across the light commercial, structural and other associated business areas. The Company is headquartered in Houston, Texas with offices throughout our operating areas. Our principal executive offices are located at 12000 Aerospace Avenue, Suite 300, Houston, Texas 77034. Our common stock is listed for trading on the New York Stock Exchange ("NYSE") under the trading symbol "ORN". At the close of business on the record date, 28,088,826 shares of common stock were outstanding.

ABOUT THE ANNUAL MEETING

Why did I receive a one-page "Notice of Internet Availability of Proxy Materials" in the mail rather than a full set of proxy materials?

The Securities and Exchange Commission ("SEC") rules allow companies to provide stockholders with access to proxy materials over the Internet rather than by mailing the proxy materials to stockholders. To conserve natural resources and reduce costs, we are sending a Notice of Internet Availability of Proxy Materials to many of our stockholders. The Notice provides instructions for accessing the proxy materials online or for requesting printed copies of the proxy materials. The Notice also provides instructions for requesting the delivery of the proxy materials for future annual meetings in printed form by mail or electronically by email.

Why did I receive these proxy materials?

The Company's Board of Directors (the "Board") is providing these proxy materials to you in connection with the Board's solicitation of your proxy to vote at the 2018 Annual Meeting of Stockholders, which will take place on May 24, 2018 (the "Annual Meeting"). As a stockholder of the Company on the record date, you are entitled to vote your shares at the Annual Meeting. This proxy statement provides information relevant to your vote on the matters that will be considered at the Annual Meeting.

What is the purpose of the Annual Meeting?

There are currently three (3) proposals scheduled for consideration and vote at the Annual Meeting:

1. The re-election of two Class II-directors, each to serve a three-year term expiring in 2021;
2. A non-binding proposal to approve the compensation of our named executive officers as disclosed in this proxy statement (the "say-on-pay" vote); and
3. The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018.

Could other matters be considered and voted upon at the meeting?

Our Board does not expect to bring any other matter before the Annual Meeting and is not aware of any other matter that may be presented for consideration at the meeting. In addition, pursuant to our By-laws, the time has elapsed for any stockholder to properly bring a matter before the meeting. However, if any other matter does properly come before the meeting, the proxy holders will vote the proxies at their discretion.

How many votes may stockholders cast?

Each share of common stock that was outstanding on the record date is entitled to one vote on each matter submitted to a vote at the Annual Meeting. As of the record date, there were 28,088,826 shares of common stock outstanding and entitled to vote at the Annual Meeting.

How many shares must be present to hold the Annual Meeting?

A majority of the outstanding shares of common stock must be present, in person (online) or represented by proxy, at the Annual Meeting in order to hold the Annual Meeting and conduct business. This is called a "quorum." In determining whether a quorum exists, the inspector of elections will count as present shares owned by holders who are present but abstain from voting, shares owned by stockholders who do not vote on one or more proposals, withheld votes, and broker non-votes (see *What is a "broker non-vote"?* below).

What are my voting options for each proposal? How does the Board of Directors recommend that I vote? How many votes are required to approve each proposal? How are the votes counted?

Proposal	**Election of Directors**	**Say-on-Pay (advisory)**	**Ratification of Selection of Auditors**
Your Voting Options	You may vote "FOR" or "AGAINST" the nominees or you may "ABSTAIN" from voting.	You may vote "FOR" or "AGAINST" this proposal or you may "ABSTAIN" from voting.	You may vote "FOR" or "AGAINST" this proposal or you may "ABSTAIN" from voting.
Recommendation of the Board of Directors	The Board recommends you vote "FOR" each of the two nominees.	The Board recommends that you vote "FOR" the approval, on an advisory basis, of the compensation of our named executive officers as disclosed in this proxy statement.	The Board recommends that you vote "FOR" ratification of our selection of KPMG LLP as our independent registered public accounting firm for 2018.
Vote Required for Approval	plurality of the votes cast (but see the note below on our "Majority Voting Policy in Director Elections")	affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal	affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal
Effect of Abstention	no effect	will count as a vote AGAINST this proposal	will count as a vote AGAINST this proposal
Effect of Broker Non-Vote	no effect	no effect	not applicable (this is a routine matter for which brokers have discretionary voting authority)

Majority Voting Policy in Director Elections. Although our directors are elected by plurality vote, our Board has adopted a majority voting policy. Each of our current directors, including the director nominees, has delivered an irrevocable resignation letter that the Board has the power to accept or decline in the event that the director does not receive more "FOR" than "AGAINST" votes in an uncontested election. We have provided more information about our majority voting policy under the heading "Proposal No. 1 — Election of Directors."

Any Other Matters. Any other matter properly brought before the Annual Meeting will be decided by the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the matter, unless a different vote is required by statute, NYSE listing standards, or our Certificate of Incorporation or By-laws.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Many of our stockholders hold their shares through a broker or other nominee rather than in their own name. As summarized below, there are several distinctions between shares held of record and those held beneficially.

Stockholders of Record. If your shares are registered in your name with the Company's transfer agent, American Stock Transfer & Trust, you are the stockholder of record of those shares.

Beneficial Owners. If your shares are held in a bank account, brokerage account, or by another nominee, you are the beneficial owner of those shares, and your bank, broker, or nominee (your "broker") is the stockholder of record.

How do I vote?

Stockholders of Record. If you are a stockholder of record, you may vote in any of the following ways:

(1) Online at */www.proxyvote.com*;

(2) By telephone, by calling 1-800-690-6903;

(3) If you received a paper copy of our proxy materials, by mail, by signing, dating and mailing the proxy card in the enclosed postage-paid envelope, which must be received by the date indicated on the proxy card; or

(4) During the Annual Meeting by your attendance through our link at *www.virtualshareholdermeeting.com/orn2018.*

You must use the multi-digit Control Number provided in your proxy materials to access this site.

Beneficial Owners. If you are a beneficial owner, you should refer to the proxy card or voting instruction form you received from your broker for an explanation of the voting options that are available to you. If you wish to vote shares that you beneficially own online during the Annual Meeting, you must request, complete, and deliver a proxy from your broker as directed in the materials provided by your broker.

Can my shares be voted if I do not provide voting instructions?

Stockholders of Record. If you are a stockholder of record and do not deliver a proxy or otherwise vote your shares, your shares will not be voted. However, if you execute a proxy or cast a vote (whether online, by telephone, or by proxy card) without giving instructions as to how to vote on one or more proposals, your shares will be voted in accordance with the Board's recommendations on the proposals for which you have not provided specific voting instructions.

Beneficial Owners. If you are a beneficial owner and do not provide your broker with specific voting instructions, your shares will not be voted on any proposal as to which your broker does not have discretionary authority to vote. Brokers generally only have discretionary authority to vote shares held in street name on "routine" matters. The proposal to ratify the retention of the independent registered public accounting firm is considered a routine matter. The election of directors and the say-on-pay vote are non-routine matters; therefore, if you do not provide voting instructions to your broker on those proposals, your shares will not be voted on those proposals.

What is a "broker non-vote"?

A "broker non-vote" occurs when a broker holding shares for a beneficial owner submits a proxy that votes the shares on one or more proposals, but does not vote (the "broker non-vote") on non-routine matters with respect to which the beneficial owner has not given voting instructions. As noted above, if you are a beneficial owner and do not provide voting instructions, the only matter proposed in this proxy statement on which your broker may vote is the ratification of our selection of auditors. If you hold your shares through a broker, bank, or nominee, please follow their instruction as to how to provide them with specific voting instructions.

Can I change or revoke my vote?

Yes. You may revoke your proxy or change your vote at any time before it is voted at the Annual Meeting by (1) filing a written revocation with the Corporate Secretary at the Company's executive offices, (2) submitting online, by mail, or by phone a duly executed proxy bearing a later date, or (3) changing or revoking your vote online at any time before voting is closed at the Annual Meeting at *www.virtualshareholdermeeting.com/orn2018.*

Who are the proxies?

In connection with the solicitation of proxies for the Annual Meeting, the Board has appointed Mark R. Stauffer, Peter R. Buchler and Christopher J. DeAlmeida as proxies. All properly executed proxies that specify how the stockholder wishes to vote his or her shares will be voted in accordance with those instructions.

Who will count the votes?

The Company has appointed Broadridge Financial Solutions, Inc. ("Broadridge") to tabulate the votes and act as the Inspector of Elections.

When will the voting results be announced?

We will announce preliminary voting results at the Annual Meeting and will publish the final results in a current report on Form 8-K filed with the SEC within four business days following the meeting, which will be available on our website at *www.oriongroupholdingsinc.com.*

Who pays for the cost of the proxy solicitation?

The Company bears the expense of preparing, printing, mailing, and distributing the proxy materials. In addition to this solicitation by mail, directors, officers, and other employees of the Company may, without additional compensation, solicit the return of proxies by telephone, mail, facsimile, email, or other means. The Company will request that brokers and other nominee holders of common stock furnish proxy materials to their beneficial owners. The Company will reimburse such brokers and other nominees for their reasonable out-of-pocket expense in doing so.

What is "householding"?

Under the rules adopted by the SEC, we may deliver a single set of proxy materials to one address shared by two or more of our stockholders. This delivery method is referred to as "householding" and can result in significant cost savings. To take advantage of this opportunity, we have delivered only one set of proxy materials to multiple stockholders who share the same address, unless we received contrary instructions from the impacted stockholders prior to the mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the proxy materials, as requested, to any stockholder at the shared address to which a single copy of these documents was delivered. If you prefer to receive separate copies of the proxy statement or annual report, contact [Broadridge Financial Solutions, Inc. by calling 1-866-540-7095 or in writing at 51 Mercedes Way, Edgewood, New York 11717, Attention: Householding Department.]

In addition, if you currently are a stockholder who shares an address with another stockholder and would like to receive only one copy of future notices and proxy materials for your household, you may notify your broker if your shares are held in a brokerage account or, if you are a stockholder of record, you may notify us through Broadridge at the above-listed phone number or address.

DISCUSSION OF THE PROPOSALS
PROPOSAL NO. 1 — ELECTION OF DIRECTORS

At the Annual Meeting, stockholders will be asked to elect two (2) directors, each to serve on the Board. Under our By-Laws, the Board may determine by resolution the number of directors that the Company will have. The size of the Board is currently set at six (6) persons.

Our Certificate of Incorporation and By-Laws provide for a classified Board of Directors, divided into three (3) classes, with each class serving a staggered three-year term. As a result, stockholders generally elect one-third of our Board each year. The current term of each of our two (2) Class II directors, Richard L. Daerr, Jr and J. Michael Pearson, expires at the 2018 Annual Meeting. On the recommendation of its Nominating and Corporate Governance Committee, the Board has nominated each Messrs. Daerr and Pearson for re-election as Class II Directors, with each to serve a three-year term expiring at the 2021 Annual Meeting. Mr. Daerr currently serves as Chairman of the Board and Mr. Pearson serves as a director.

Each of Messrs. Daerr and Pearson has indicated that he is willing to serve the three-year directorship term for which he has been nominated. However, if, prior to the Annual Meeting, either of these two (2) director nominees should become unwilling or unable to serve, then (i) the shares represented by proxy will be voted for the election of such other person as may be designated by the Board, (ii) the Board may leave the position unfilled, or (iii) the Board may reduce the authorized number of directors, as provided in our By-Laws.

Please see "The Board of Directors and its Committees" below for information about the director nominees and the other current members of the Board, each of whom will continue to serve following the Annual Meeting.

Directors are elected by plurality vote; however, our Board has adopted a majority voting policy in uncontested elections. Each of our current directors, including the two director nominees, has delivered an irrevocable resignation letter for the Board's consideration in the event that he does not receive more "FOR" than "AGAINST" votes in an uncontested election. If an incumbent director fails to receive the required vote for re-election, our Board, after considering the recommendation of its Nominating and Corporate Governance Committee and any factors it deems relevant, will determine whether to accept the resignation. Any director whose resignation is under consideration will abstain from participating in that decision.

The Board recommends that you vote "FOR" election of each of the two director nominees.

PROPOSAL NO. 2 — ADVISORY VOTE ON EXECUTIVE COMPENSATION ("SAY-ON-PAY" PROPOSAL)

We are seeking stockholder approval of the compensation of our executive officers (our "Named Executive Officers" or "NEOs") as disclosed in this proxy statement. This disclosure includes the Compensation Discussion and Analysis ("CD&A"), the compensation tables, and the accompanying narrative compensation disclosures. This non-binding advisory proposal, commonly known as a "say-on-pay" proposal, is required under Section 14A of the Securities Exchange Act of 1934 (the "Exchange Act"). Stockholders are asked to vote on the following resolution:

> "RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed in the Company's proxy statement for the Company's 2018 annual meeting of stockholders pursuant to Item 402 of Regulation S-K of the rules of the Securities and Exchange Commission, is hereby APPROVED."

Our core executive compensation philosophy and practice are based on a pay-for-performance philosophy, balancing a fixed base salary with annual cash and long-term equity incentive opportunities. We believe that our compensation program is strongly aligned with the long-term interests of our stockholders. In considering how to vote on this proposal, we encourage you to review all of the relevant information in this proxy statement including our CD&A (including its Executive Summary), the compensation tables, and the rest of the narrative disclosures regarding our executive compensation program.

Because this is an advisory vote, it will not be binding on the Board and it will not directly affect or otherwise limit any existing compensation or award arrangement of any of our NEOs. However, we understand that our executive compensation practices are important to our stockholders. Our Compensation Committee will consider the outcome of this vote when considering future executive compensation arrangements.

The Board recommends that you vote "FOR" approval of this say-on-pay proposal.

PROPOSAL NO. 3 — APPROVAL OF THE APPOINTMENT OF KPMG LLP

The Audit Committee has recommended and the Board subsequently approved the appointment of KPMG LLP ("KPMG") as the Company's independent registered public accounting firm (our "independent auditor") to perform the audit of the Company's financial statements for 2018.

Recent Changes in Auditors

KPMG was the Company's independent auditor for the year ended December 31, 2017 as a result of KPMG's appointment by the Board on March 30, 2017 as the Company's independent auditor. Such appointment was ratified by the Company's stockholders at the Company's 2017 Annual Stockholders Meeting held on May 25, 2017.

In connection with the appointment of KPMG, the Company has not consulted with KPMG on any matter relating to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements; or (ii) any matter that was the subject of a "disagreement" (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or any "reportable event" (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

The report of KPMG on the Company's consolidated financial statements for the fiscal year ended December 31, 2017 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty,

audit scope or accounting principles. In connection with the audit of the Company's consolidated financial statements for the fiscal year ended December 31, 2017, there were no disagreements with KPMG on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of KPMG, would have caused KPMG to make reference to the matter in their report.

Ernst & Young, LLP ("EY") was the Company's independent auditor for fiscal 2016 and served in that capacity until being replaced by KPMG on March 30, 2017.

In connection with EY's appointment, the Company did not consult with EY on any matter relating to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements; or (ii) any matter that was the subject of a "disagreement" (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or any "reportable event" (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

The report of EY on the Company's consolidated financial statements for the fiscal year ended December 31, 2016 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. In connection with the audits of the Company's consolidated financial statements for the fiscal year ended December 31, 2016 and through the date of dismissal, there were no disagreements with EY on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of EY, would have caused EY to make reference to the matter in their report. There were no "reportable events" (as that term is described in Item 304(a)(1)(v) of Regulation S-K) during the fiscal year ended December 31, 2016 and the interim period through March 30, 2017.

Representatives of KPMG are expected to be in attendance at the Annual Meeting and will have the opportunity to make a statement and will be available to respond to appropriate questions from stockholders.

The Board recommends that you vote "FOR" the approval of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2018.

CORPORATE GOVERNANCE

We conduct our business under the direction of our Board. Members of the Board devote the time, energy, and attention as necessary to ensure diligent performance of their duties.

The Board has adopted corporate governance practices designed to aid the Board and management in the fulfillment of their respective duties and responsibilities to our stockholders.

Corporate Governance Guidelines

Our Corporate Governance Guidelines, first adopted by the Board in 2007, work together with our Certificate of Incorporation, By-laws, and Board committee charters to form the framework for the governance of the Company. These Guidelines set forth the practices the Board follows in making decisions regarding board composition and selection, the frequency of board meetings, involvement of senior management in board meetings, Chief Executive Officer performance evaluation and succession planning, compensation and board committees.

Code of Ethics

The Company has adopted a code of ethics that applies to its senior accounting and financial officers, including the Chief Executive Officer and Chief Financial Officer. The Code of Ethics complies with the rules of the SEC and Rule 406 of the Sarbanes-Oxley Act of 2002. The Code of Ethics, as well as other governance documents, is available as described below under "Website Availability of Governance Documents." Any changes in, or waivers to, the Code of Ethics for the Company's directors, executive officers, and certain senior financial officers are posted on the Company's website within five business days and maintained for at least twelve months.

Website Availability of Governance Documents

You can access our Certificate of Incorporation, By-laws, Code of Business Conduct and Ethics, Corporate Governance Guidelines, and Stockholder Communication Policy, as well as the Audit, Nominating and Corporate Governance, and Compensation Committee Charters under "Corporate Governance" in the "Investors" section of our website at *www.oriongroupholdingsinc.com*. Information contained on the Company's website or any other website is not incorporated into this proxy statement and does not constitute a part of this proxy statement. Additionally, any stockholder who so requests may obtain a printed copy of the governance documents from our Corporate Secretary at the address indicated on the first page of this proxy statement.

Communications with the Board

Stockholders and other interested persons wishing to communicate with the Board, including with the Chairman of the Board or any other non-management directors, may do so by the following means:

Email: pbuchler@orn.net
Mail: Board of Directors
Attn: Corporate Secretary
Orion Group Holdings, Inc.
12000 Aerospace Avenue, Suite 300
Houston, TX 77034

For more information regarding how to contact the Board, including any committee of the Board, you may access our stockholder communications policy at www.oriongroupholdings.com/Corporate-Governance.html.

Director Independence

NYSE listing rules require a majority of our directors to be independent. In accordance with these rules, our Board has reviewed the relationships between the Company and each director and has affirmatively determined that each of Messrs. Amonett, Daerr, Pearson, Shanfelter, and Stoever has no direct or indirect material relationships with the Company or any member of management, and thus each of them satisfies the NYSE's definition of an independent director. However, as our former Chief Executive Officer, Mr. Pearson did not satisfy that definition until January 1, 2018. Mr. Stauffer, our current President and Chief Executive Officer, is not independent. In addition, members of the Audit and Compensation Committees must meet heightened standards of independence in accordance with the requirements of the NYSE corporate governance listing standards and SEC rules and regulations. The Board also has determined that each of the members of the Audit, Compensation, and Nominating and Corporate Governance Committees has no material relationship with the Company and satisfies the independence criteria (including the enhanced criteria with respect to audit and compensation committee membership) set forth in the applicable NYSE listing standards and SEC rules.

Nomination of Directors

The Board is responsible for nominating a slate of candidates for Board membership, and acts through its Nominating and Corporate Governance Committee, to review the composition of the Board, and screen and recruit potential director nominees in consultation with the Chairman of the Board and the Chief Executive Officer. Although the Nominating and Corporate Governance Committee has not established specific minimum qualifications for a position on the Board, the Committee seeks candidates who individually demonstrate a high ethical standard, a wide range of business experience at the policy-making level, and the ability to exercise sound and mature judgment in matters that relate to the current and long-term objectives of the Company.

While we do not have a formal policy outlining the diversity standards to be considered when evaluating director candidates, the Nominating and Corporate Governance Committee believes that a diversity of background, education, experience and social perspective, as well as independence, and the ability to represent the best interests of all stockholders, contribute to an optimal balance of Board members. Although we believe that the current membership of our Board represents a diversity of thought and perspective, the Board has recognized that the Company can and should do more to broaden diversity of its membership in a more traditional sense (including gender, racial, and ethnic diversity). To that end, the Board is committed to considering diversity issues in evaluating the membership of the Board on a going forward basis.

Board Leadership Structure

Our Chairman of the Board is an independent director. We believe that having a chairman independent of management provides critical and independent thinking with respect to the Company's strategy and long-term objectives. Our President and Chief Executive Officer serves on the Board and provides in-depth understanding of the operations of the Company and the issues, opportunities, and challenges facing the Company. Our former President and Chief Executive Officer also serves on the Board.

The Board's Role in Risk Oversight

The members of our Board are actively involved in the oversight of risk that could affect the Company. This oversight is conducted primarily through committees of the Board, as discussed in the charters of each committee and descriptions, below. We have adopted enterprise risk management policies based on the Integrated Framework of the Committee of Sponsoring Organizations ("COSO"). Under these policies, the Chief Executive Officer, Chief Financial Officer, and General Counsel periodically report on the Company's risk management policies and practices to relevant Board Committees and to the full Board. The Audit Committee provides direction on risks identified by management through its annual risk assessment related to financial reporting and internal controls and provides a central oversight role with respect to financial and compliance risks, including compliance with the Foreign Corrupt Practices Act. Our Compensation Committee considers potential risk related to the Company's overall compensation programs and

effectiveness at linking executive pay to performance and aligning the interests of our executives and stockholders. Key risks to the Company's operations, liquidity, and strategies are considered by the full Board.

Board/Committee Primary Areas of Risk Oversight

Full Board	Risk management process, structure, and overall policies and practices for enterprise risk management; strategic risks associated with business plans, significant capital transactions, including acquisitions and divestitures; and other significant risks such as major litigation, business development risks and succession planning
Audit Committee	Major financial risk exposure; significant operational, compliance, reputational, and strategic risks Nominating and Corporate Governance Committee Risks and exposures related to corporate governance, effectiveness of the Board and its committees in overseeing the Company, review of director candidates, conflicts of interest and director independence
Nominating and Corporate Governance Committee	Risks and exposures related to corporate governance, effectiveness of the Board and its committees in overseeing the Company, review of director candidates, conflicts of interest and director independence
Compensation Committee	Risks related to executive recruitment, assessment, development, retention and succession policies and programs; and risks associated with compensation policies and practices, including incentive compensation

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The following table sets forth the names, ages and positions of our director nominees and our continuing directors as of the date of this proxy statement.

	Current Position	Age	Class	Director Since	Term Expires
Nominees for Director					
Richard L. Daerr, Jr	Chairman of the Board of Directors	73	II	2007	2018
J. Michael Pearson	Director	70	II	2006	2018
Continuing Directors					
Austin J. Shanfelter	Director	60	III	2007	2019
Gene G. Stoever	Director	79	III	2007	2019
Thomas N. Amonett	Director	74	I	2007	2018
Mark R. Stauffer	President, Chief Executive Officer & Director	55	I	2015	2018

Nominees for Directors

The following sets forth certain biographical information for each of the director nominees, including his position with the Company and his business experience during the past five (5) years.

Richard L. Daerr, Jr. — Mr. Daerr has served as non-executive Chairman of the Board and as a Class II director since May 2007, and is a member of the Compensation Committee. Mr. Daerr founded RK Enterprises in 1997, a firm that has assisted companies and investor groups in developing and implementing strategic plans and initiatives focused primarily on the energy, biotechnology, engineering and construction, and pharmaceuticals industries. From 1994 to 1996, Mr. Daerr served as President and Chief Executive Officer of Serv-Tech, Inc., an industrial services company that was listed on the NASDAQ. Mr. Daerr worked for CRSS, Inc. from 1979 to 1992 where he served as General Counsel and Chief Administrative Officer and as the President and Chief Operating Officer from 1990 to 1992. Prior to its acquisition, CRSS, Inc. was a NYSE listed company and one of the largest engineering, architectural and construction management companies in the U.S. as well as one of the largest independent power producers in the U.S. CRSS owned a controlling interest in NATEC, Inc., a NASDAQ listed environmental services company of which Mr. Daerr was a director. Mr. Daerr has served on the boards of several private and public companies, including TIMEC Company, Inc., a refinery turnaround maintenance company. From 2002 to 2007, he served as Chairman of an Independent Committee and served on the Audit Committee. From 2003 to 2014, Mr. Daerr served as a director and on the Audit Committee of DISA, Inc., an industrial drug testing and background checking company. From 2011 to 2015, Mr. Daerr served as a director and on the Audit Committee of ENTACT, Inc., an environmental remediation firm. From 1976 to 1979, Mr. Daerr was Associate Counsel with Dresser Industries, Inc., an industrial equipment and materials supply company. From 1972 to 1976, he was a trial attorney with the antitrust division of the United States Department of Justice. In March 2015, Mr. Daerr began serving as a director of MES Partners, Inc., a broad based industrial service company.

Mr. Daerr brings a vast amount of diverse experience to our Board, as he has served on numerous boards of public, private and not-for profit companies, as well as serving as a committee member within those boards. Mr. Daerr has been a consultant to various companies in the areas of strategic planning, acquisitions, divestitures and capital market transactions. As a former attorney with the Department of Justice and as counsel to other businesses in the public and private sector, Mr. Daerr has dealt with many of the laws and regulatory issues that affect public companies today. The National Association of Corporate Directors has designated Mr. Daerr a *Governance Fellow*.

J. Michael Pearson — Mr. Pearson served as our President and Chief Executive Officer from 2006 and as a Class II director since May 2007 and is a member of the Audit Committee and the Nominating and Corporate Governance Committee. Effective February 2014, Mr. Stauffer replaced him as President of the Company and, ten months later, on December 31, 2014, Mr. Pearson retired as Chief Executive Officer whereby he changed from a management to non-management director of the Company. The Board has determined that, effective as of January 1, 2018, the day after the second anniversary of his retirement, Mr. Pearson is an independent director. Mr. Pearson joined us as Chief Operating Officer in March 2006 from Global Industries, Inc. (NASDAQ: GLBL), an offshore marine construction company, where he served as Chief Operating Officer from May 2002 to November 2005 and Senior Vice President, Strategic Planning from February 2002 to May 2002. Prior to joining Global Industries, Inc., Mr. Pearson served as a General Manager for Enron Engineering and Construction Co. from 2000 to 2001. Prior to that position, Mr. Pearson served as Executive Vice President for Transoceanic Shipping Co. in 1999 and President and Chief Executive Officer for International Industrial Services, Inc. from 1997 to 1999. From 1973 to 1997, Mr. Pearson served in various management capacities at McDermott International, Inc. (NYSE: MDR), including as Vice President and General Manager. Mr. Pearson is a registered Professional Engineer in Louisiana, Idaho and Texas. Mr. Pearson currently serves as Past President and Life Director of the Board of Directors of Louisiana Tech University's Engineering & Science Foundation ("ESF"), a corporation that supports the activities and programs for the Dean of the college of Engineering & Science at the University.

Mr. Pearson brings extensive industry knowledge to our Board of Directors and provides critical management insight regarding the challenges and opportunities facing the Company. He has over 40 years' management, operational and strategic experience in global marine construction related fields. He is also actively involved in numerous industry associations. His engineering experience is also of significant value as a Board Member. The National Association of Corporate Directors has designated Mr. Pearson a *Board Leadership Fellow*.

Background of the Continuing Directors

Austin J. Shanfelter — Mr. Shanfelter has been a member of our Board and a Class III director since May 2007, and has served as Chairman of our Compensation Committee since May 2007 and as a member of the Nominating and Corporate Governance Committee since May 2010. He served until December 18, 2008, as a member of the Board of Directors of MasTec, Inc. (NYSE: MTZ), a publicly traded specialty contractor, and as a special consultant. Mr. Shanfelter served as Chief Executive Officer and President of MasTec from August 2001 until March 2007. From February 2000 until August 2001, Mr. Shanfelter was MasTec's Chief Operating Officer. Prior to being named Chief Operating Officer, he served as President of one of their service offerings from January 1997. Mr. Shanfelter has been in the telecommunications infrastructure industry since 1981. Mr. Shanfelter has been a member of the Society of Cable Television Engineers since 1982 and the National Cable Television Association since 1991. Since April 2009, Mr. Shanfelter has served as President of the Power and Communications Contractors Association ("PCAA"). Mr. Shanfelter also has served as a member of the Board of Directors of Patriot National INC. (NYSE: PN) Insurance services company, and has served as Chairman of Global HR Research LLC. As of August 2012, Mr. Shanfelter began serving as a member of the Board of Directors of Sabre Industries, a leading manufacturer of power delivery structures. Mr. Shanfelter's achievements as an executive and director of MasTec, Inc., his many years of service as its Chief Executive Officer and President, and prior to this, its Chief Operating Officer, as well as his service on the board of other diverse entities, provide us with industry insight and perspective and qualify him to serve as one of our directors. The National Association of Corporate Directors has designated Mr. Shanfelter a *Governance Fellow*.

Gene G. Stoever — Mr. Stoever has been a member of our Board and a Class III director since May 2007, has served as chairman of our Audit Committee since May 2007, and as a member of the Compensation Committee since May 2010. He was an audit partner with KPMG LLP for 24 years until his retirement in 1993. During his approximately 30-year tenure with KPMG, he served domestic and multinational clients engaged in the manufacturing, construction, refining, oil and gas, real estate and banking industries, as well as serving as SEC Reviewing Partner responsible for advising and reviewing client filings with the SEC. Mr. Stoever currently serves as chairman of the audit committee and previously as a member of the nominating and corporate governance committee of the Board of Directors of Evolution Petroleum Corp. (AMEX: EPM) and previously served on the Boards and as chairman of the audit committees of several other companies. Mr. Stoever is a Certified Public Accountant in Texas (currently inactive license holder).

Mr. Stoever is well qualified to serve on our Board, based on his extensive experience in public accounting, his service on other boards, and his service as Chairman of our Audit Committee since 2007, coupled with his knowledge of financial reporting, SEC accounting rules and regulations, and generally accepted accounting principles and auditing standards. Mr. Stoever qualifies as an "audit committee financial expert" pursuant to SEC rules. The National Association of Corporate Directors has designated Mr. Stoever a *Governance Fellow*.

Thomas N. Amonett — Mr. Amonett has been a member of our Board and a Class I director since May 2007, and serves as the Chairman of the Nominating and Corporate Governance Committee, and as a member of the Audit Committee. He has been President, Chief Executive Officer and a director of Athlon Solutions, LLC, a manufacturer and distributor of specialty chemicals and related services primarily to the refining and petrochemical industries, since April 2013. From November 1999 to April 2013, he was President, Chief Executive Officer and a director of Champion Technologies, Inc., a manufacturer and distributor of specialty chemical and related services primarily to the oil and gas industry. From July 2007 to November 2015, Mr. Amonett had been a director of Hercules Offshore, Inc., a provider of contract oil and gas drilling services and liftboat services, where he served as Chairman of the Nominating and Corporate Governance Committee. Mr. Amonett has been a director of Bristow Group Inc. (NYSE: BRS), a global provider of helicopter services, since 2006, where he currently serves on the Audit Committee and Executive Compensation Committee. Mr. Amonett also serves as a director of T. F. Hudgins Incorporated and of Ergon, Inc., both private companies.

Mr. Amonett is qualified to serve as one of our directors, based on his considerable management, operational and financial experience in a wide range of industries. Of particular note is his service as President and Chief Executive Officer of several companies, his service as a director of other companies and his corporate governance experience and expertise. The National Association of Corporate Directors has designated Mr. Amonett a *Board Leadership Fellow*.

Mark R. Stauffer — Mr. Stauffer was named Chief Executive Officer effective January 2015 and has served as the Company's President since February of 2014. Prior to this, Mr. Stauffer assumed operational oversight in 2012, served as Executive Vice President and Chief Financial Officer from 2007 to 2014, and as Vice President and Chief Financial Officer from 1999, when he joined us, to 2007. Mr. Stauffer also served as Secretary from 2004 until 2007. Mr. Stauffer has been a member of our Board and a Class I director since January 2015. Prior to joining us, Mr. Stauffer served in various capacities at Coastal Towing, Inc. from 1986 to 1999, including Vice President and Chief Financial Officer. Mr. Stauffer has over 30 years of experience in the marine and construction industries and is a Certified Public Accountant.

Mr. Stauffer brings extensive industry knowledge to our Board of Directors and provides critical management insight regarding the challenges and opportunities facing the Company. He has over 30 years' financial, management, operational and strategic experience in the marine and construction industries, including extensive marine construction experience. As a Certified Public Accountant, his financial and accounting experience is also of significant value as a Board Member. The National Association of Corporate Directors has designated Mr. Stauffer a *Governance Fellow*.

Meetings of the Board of Directors

Directors are expected to attend all meetings of the Board and each committee on which they serve, and the Board encourages all its members to attend each Annual Meeting of Stockholders.

The Board of Directors held six (6) meetings during 2017. Each director attended 100% of all meetings of the Board of Directors and committees on which he served and all directors attended the 2017 Annual Meeting of Stockholders.

Non-management directors meet in executive session on a regular basis, generally at the end of a regularly-scheduled Board meeting. The Chairman of the Board presides over the executive session. In addition, the Audit Committee has adopted a practice of reserving time at each meeting to meet without members of Company management present. The Compensation Committee has adopted a similar practice.

Committees of the Board

The Board has three standing committees; the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. These committees are comprised exclusively of independent directors as defined by the listing standards of the New York Stock Exchange. Each committee is governed by a written charter approved by the Board of Directors. A copy of each charter is available on the Company's website at *www.oriongroupholdingsinc.com.*

The Audit Committee assists the Board in overseeing our accounting and financial reporting processes and the audits of our financial statements. Pursuant to its charter, the Audit Committee has the following responsibilities, among others:

- To select the independent auditor to audit our annual financial statements;
- To approve the overall scope of and oversee the annual audit and any non-audit services;
- To assist management in monitoring the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of the independent auditor and our internal audit function, and our compliance with legal and regulatory requirements;
- To discuss the annual audited financial statements and unaudited quarterly financial statements with management and the independent auditor;
- To discuss policies with respect to risk assessment and risk management; and
- To review with the independent auditor any audit problems or difficulties and management's responses.

Messrs. Stoever (Chairman), Amonett, and Pearson are currently members of the Audit Committee, and the Board has determined each to be independent under NYSE listing standards and applicable SEC rules. In addition, Mr. Stoever meets the relevant standards as an "audit committee financial expert" as defined by SEC rules. During 2017, the Audit Committee met seven (7) times. A report by the Audit Committee is presented elsewhere in this proxy statement.

The Compensation Committee supports the Board in fulfilling its oversight responsibilities relating to senior management and director compensation. Pursuant to its charter, the Compensation Committee has the following responsibilities, among others:

- To develop an overall executive compensation philosophy, strategy and framework consistent with corporate objectives and stockholder interests;
- To review, approve and recommend all actions relating to compensation, promotion and employment-related arrangements for senior management, including severance arrangements;
- To approve incentive and bonus plans applicable to senior management and administer awards under incentive compensation and equity-based plans;
- To review and recommend major changes to and take administrative actions associated with any other forms of non-salary compensation; and
- To review and approve or recommend to the entire Board for its approval, any transaction in our equity securities between us and any of our officers or directors subject to Section 16 of the Exchange Act.

Messrs. Shanfelter (Chairman), Daerr, and Stoever are currently members of the Compensation Committee, and the Board has determined each to be independent under the listing standards of the NYSE, both for directors generally and compensation committee members specifically. In addition, each is a non-employee director as defined in Rule 16b-3 promulgated under the Exchange Act and an "outside director" as defined in the regulations promulgated under Internal Revenue Code 162(m). The Compensation Committee met five (5) times during 2017. A report by the Compensation Committee is presented elsewhere in this proxy statement.

Compensation Committee Interlocks and Insider Participation. During the last fiscal year, Austin J. Shanfelter, Richard L. Daerr, and Gene G. Stoever served on our Compensation Committee. No Compensation Committee member served as an officer or employee of our Company or any of our subsidiaries prior to or while serving on the Compensation Committee. None of our executive officers served during the last fiscal year on the board of directors or on the compensation committee of another entity, when one of that entity's executive officers served on our Board of Directors or on our Compensation Committee.

The Nominating and Corporate Governance Committee recommends director candidates to the Board, oversees the evaluation of Board and Committee members, develops and monitors corporate governance principles, practices and guidelines for the Board and the Company. Pursuant to its charter, the Nominating and Corporate Governance Committee has the following responsibilities, among others:

- To identify individuals qualified to become Board members and to recommend that the Board select the director nominees for election at annual meetings of stockholders or for appointment to fill vacancies;
- To recommend to the Board director nominees for each committee of the Board;
- To advise the Board about appropriate composition of the Board and its committees;
- To advise the Board about, develop and recommend to the Board appropriate corporate governance practices, principles and guidelines, and to assist the Board in implementing those practices;
- To lead the Board in its annual review of the performance of the Board and its committees; and
- To perform such other functions as the Board may assign to the committee from time to time.

Messrs. Amonett (Chairman), Pearson and Shanfelter are currently members of this committee, and the Board has determined each to be independent as defined in the applicable rules of the NYSE and the SEC. The Nominating and Governance Committee met three (3) times during 2017.

Director Nominations by Stockholders. Any stockholder who wishes to recommend a nominee for director for the 2019 Annual Meeting of Company Stockholders must send written notice to the Corporate Secretary in accordance with instructions set forth below and later in this proxy statement under the caption "Submission of Stockholder Proposals for 2019 Annual Meeting."

As provided in our By-laws, any stockholder notice of intention to nominate a director must include:

- The name and address of the stockholder;
- A representation that the stockholder is entitled to vote at the meeting at which directors will be elected;
- The number of shares of the Company that are beneficially owned by the stockholder;
- A representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

The following information with respect to the person nominated by the stockholder:

- Name and address;
- A complete resume or statement of the candidate's qualifications, including education, work experience, industry knowledge, membership on other boards of directors and civic activity;
- A description of any arrangements and understandings between the stockholder and the nominee and any other persons pursuant to which the nomination is made;
- The consent of each such nominee to serve as a director if elected; and
- Such other information as required to be included in a proxy statement, including information with respect to a candidate's independence as defined under the rules and regulations of the SEC and the NYSE.

The Nominating and Corporate Governance Committee seeks to achieve a Board composed of individuals who have experience relevant to the needs of the Company and who have a high level of professional and personal ethics. In addition, prospective directors must have time available to devote to Board activities. The Nominating and Corporate Governance Committee uses a variety of methods and multiple sources to identify and evaluate nominees for directors, including referrals from other directors and management, recommendations by stockholders, and third party professional search firms.

The Company did not receive any stockholder nominations for director to be considered by the Nominating and Corporate Governance Committee for the Annual Meeting and, pursuant to our By-laws, the time has elapsed for any stockholder to properly nominate a candidate for director for consideration at this year's Annual Meeting.

Annual Performance Evaluations

Annually, the Board and its committees conduct self-performance evaluations and review each committee charter. In addition, our Corporate Governance Guidelines are reviewed and reassessed for adequacy annually.

DIRECTOR COMPENSATION

The following table describes the compensation earned by persons who served as non-employee directors during 2017. Mr. Stauffer, who serves as our President and Chief Executive Officer in addition to a director, is not entitled to any additional compensation as a director. All amounts paid to Mr. Stauffer are reported in the charts under "Executive Compensation."

Name	Fees Earned or Paid in Cash[1] ($)	Stock Compensation[2] ($)	Total ($)
Thomas N. Amonett	76,750	90,000	166,750
Richard L. Daerr, Jr.	156,750	90,000	246,750
Austin J. Shanfelter	81,000	90,000	171,000
Gene G. Stoever	81,000	90,000	171,000
J. Michael Pearson	50,000	90,000	140,000

The Compensation Committee of the Board of Directors retained Pearl Meyer & Partners, an independent consulting firm, to assist in determining the components and amounts of director compensation for 2017, based on comparisons of board compensation in similarly- situated companies.

Our director compensation program typically consists of both cash and equity compensation. In 2017, the Compensation Committee granted equity awards to our non-employee directors valued at $90,000 per director and

[1] Amounts in this column represent retainers, meeting fees and chairmanship fees as detailed in the chart below.
[2] Each of our non-employee directors was awarded 14,179 shares of restricted stock during 2017.

currently expects to grant equity awards to non-employee directors during fiscal 2018. The current schedule of director fees paid in cash is as follows:

	Annual Retainer Amount
Board Service Annual Retainer	$50,000
Board Chairman Additional Annual Retainer	$70,000
Audit Committee Chairman Additional Annual Retainer	$20,000
Compensation Committee Chairman Additional Annual Retainer	$20,000
Nominating & Corporate Governance Chairman Additional Annual Retainer	$16,000
Additional Annual Retainer for (non-chair) Committee Members	$14,000

All cash retainers are paid quarterly in arrears. The Company also reimburses non-employee directors for reasonable travel and lodging expenses incurred in attending Board and committee meetings.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the executive officers of the Company serving as of the date of this proxy statement. All executive officers are appointed by, and serve at the pleasure of, the Board. There is no family relationship between or among any of the Company's directors and executive officers.

Name	Age	Position with the Company
Mark R. Stauffer	55	President and Chief Executive Officer
Peter R. Buchler	71	Executive Vice President, Chief Administrative Officer, Chief Compliance Officer, General Counsel and Secretary
Christopher J. DeAlmeida	40	Executive Vice President, Chief Financial Officer & Treasurer

Below is a summary of the business experience of each of our current executive officers other than Mr. Stauffer (whose business experience is included under the caption "Background of Continuing Directors," above).

Peter R. Buchler — Mr. Buchler joined the Company as Vice President, General Counsel and Corporate Secretary in September 2009. He subsequently became the Company's Chief Compliance Officer and effective January 1, 2010, became Executive Vice President. In 2011, he became our Chief Administrative Officer. Prior to joining the Company, Mr. Buchler founded and operated The Buchler Group, LLC, a consulting firm providing corporate and contracting advisory services to the domestic and international construction industry. From 2003 to 2008, Mr. Buchler worked for Global Industries, Ltd. (formerly NASDAQ: GLBL) in various capacities, including Assistant General Counsel, Vice President Commercial and Subcontracts, and Vice President of Asia Pacific. Prior to this, he served as Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary of Cooperheat-MQS, Inc., and even earlier as Assistant General Counsel, Corporate and subsequently Assistant General Counsel, Marine Construction, Shipbuilding and Industrial Services segments of McDermott International, Inc. (NYSE: MDR). Mr. Buchler has over 35 years of experience in the marine construction industry, is admitted to practice law in Texas and Louisiana and is designated by The National Association of Corporate Directors as a *Governance Fellow*.

Christopher J. DeAlmeida — Mr. DeAlmeida has served as the Company's Executive Vice President, Chief Financial Officer and Treasurer since February of 2014. Mr. DeAlmeida has over 15 years of public company accounting and financial management experience and has overseen most of the Company's daily financial and accounting responsibilities since 2012, when he was named Vice President, Finance and Accounting. Prior to that Mr. DeAlmeida served as the Company's Director of Finance from 2011 to 2012 and served as Director of Investor Relations from 2007 to 2011. Prior to joining Orion, Mr. DeAlmeida held progressively responsible positions in accounting, finance and investor relations with Continental Airlines, Inc. (NYSE: UAL) and BMC Software, Inc. (NYSE: BMC).

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables, based in part upon information supplied by officers, directors and certain stockholders, sets forth the ownership of the Company's outstanding common stock as of the record date by:

(1) Each person or entity who is known by the Company to own beneficially more than 5% of the Company's outstanding common stock;
(2) Each of the Company's directors;
(3) Each of the Company's named executive officers, and
(4) All directors and executive officers of the Company as a group.

Name and Address of 5% Stockholders	Shares Beneficially Owned	Percent of Shares[1]
BlackRock, Inc.[2]	3,613,061	12.9
RE Advisers Corporation[3]	2,271,136	8.1
Dimensional Fund Advisors LP[4]	2,087,504	7.4
Boston Partners[5]	1,845,059	6.6
The Vanguard Group, Inc.[6]	1,535,424	5.5
Van Den Berg Management I, Inc[7]	1,189,540	4.2

Security Ownership of Directors and Officers

Name of Beneficial Owner	Number of Outstanding Shares of Common Stock Owned (1)	Shares Acquirable within 60 days upon the Exercise of Stock Options (2)	Total Beneficial Ownership	Percent of Class (3)
Non-Management Directors:				
Thomas N. Amonett	71,640	15,000	86,640	*
Richard L. Daerr, Jr.	78,500	15,000	93,500	*
Austin J. Shanfelter	28,686	4,606	33,292	*
Gene G. Stoever	59,551	29,606	89,157	*
J. Michael Pearson	277,478	415,558	693,036	2.5%

[1] Calculated based on 28,088,826 shares of common stock outstanding on the record date.
[2] Based on information set forth in a Schedule 13G/A filed with the U.S. Securities and Exchange Commission on January 19, 2018, by BlackRock, Inc., 55 East 52nd Street, New York, NY 10055, BlackRock reports that it and its subsidiaries listed on Exhibit A of the Schedule 13G/A have sole voting power for 3,574,935 shares, shared voting power for 38,126 shares and sole dispositive power for 3,613,061 shares reported.
[3] Based on information set forth in a Schedule 13G/A filed with the U.S. Securities and Exchange Commission on February 13, 2018, by RE Advisers Corporation and Natural Rural Electric Cooperative Association, 4301 Wilson Boulevard, Arlington, VA 22203. RE Advisers Corporation and National Rural Electric Cooperative Association report that they have sole voting and sole dispositive power for 2,271,136 shares reported.
[4] Based on information set forth in a Schedule 13G/A filed with the U.S. Securities and Exchange Commission on February 9, 2018, by Dimensional Fund Advisors LP, Building One, 6300 Bee Cave Road, Austin, TX 78746. Dimensional Fund Advisors LP, an investment adviser, reports that it, and in certain cases its subsidiaries, have sole voting power for 1,999,130 shares, shared voting power for 88,374 shares and sole dispositive power for 2,087,504 shares reported.
[5] Based on information set forth in a Schedule 13G/A filed with the U.S. Securities and Exchange Commission on February 12, 2018, by Boston Partners, One Beacon Street, 30th Floor, Boston, MA 02108. Boston Powers, an investment adviser, reports that it has sole voting power for 1,381,597 shares, shared voting power for 463,462 shares and sole dispositive power for 1,845,059 shares reported.
[6] Based on information set forth in a Schedule 13G filed with the U.S. Securities and Exchange Commission on February 9, 2018, by The Vanguard Group - 23-1945930, 100 Vanguard Blvd., Malvern, PA 19355. Vanguard reports that it and its subsidiaries listed on Appendix A of the Schedule 13G have sole voting power for 40,168 shares, shared voting power for 1,495,256 shares, sole dispositive power for 1,495,256 shares and shared dispositive power for 40,168 shares reported.
[7] Based on information set forth in a Schedule 13G/A filed with the U.S. Securities and Exchange Commission on February 14, 2018, by Van Den Berg Management I, Inc., 805 Las Cimas Parkway, Suite 430, Austin, TX 78746. Van Den Berg Management reports that it has sole voting and dispositive power for 1,189,540 shares reported.

Management Director and Other Named Executive Officers:

Mark R. Stauffer, also a Director	465,131	329,672	794,803	2.8%
L. Dwayne Breaux (4)	-	-	-	*
Peter R. Buchler	97,863	142,486	240,349	*
Christopher J. DeAlmeida	36,540	54,489	91,029	*
Current Directors and Officers as a group (8 Persons):	1,115,389	1,006,417	2,121,806	7.6%

* Less than 1%

(1) Includes time- and performance-based restricted shares for which vesting restrictions have not lapsed, however, the recipient retains voting rights.

(2) Includes shares of our common stock that may be acquired under outstanding stock options that are currently vested or will vest within 60 days of the record date.

(3) Calculated based on 28,088,826 shares of common stock outstanding on the record date. For each individual who holds options, this percentage is determined by assuming he exercises all of his options that are vested on or within 60 days of the record date.

(4) Departed from the Company effective December 1, 2017.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors, certain of its officers and persons who own more than 10% of the Company's equity securities, or insiders, to file with the SEC reports of beneficial ownership of those securities and certain changes in beneficial ownership on Forms 3, 4 and 5 and to furnish the Company with copies of those reports.

Based solely on a review of the copies of these reports furnished to the Company and representations that no other reports were required during the year ended December 31, 2017, we believe that our executive officers and directors have complied in a timely manner with all Section 16(a) filing requirements during 2017.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis ("CD&A") explains our executive compensation philosophy and objectives, each element of our executive compensation program and how the Compensation Committee of the Board of Directors (referred to throughout this CD&A as the "Committee") made its compensation decisions for our 2017 named executive officers ("NEOs") listed below:

NEO	Current Title
Mark R. Stauffer	President and Chief Executive Officer
Peter R. Buchler	Executive Vice President, Chief Administrative Officer, General Counsel, Corporate Secretary and Chief Compliance Officer
Christopher J. DeAlmeida	Executive Vice President, Chief Financial Officer and Treasurer
L. Dwayne Breaux	Former Executive Vice President and Chief Operating Officer[1]

[1] *Mr. Breaux left the Company on December 1, 2017.*

Executive Summary

It is our goal to be the premier specialty construction company, focused on providing solutions for our customers across the infrastructure, industrial, and building sectors, while maintaining a healthy financial position and maximizing stakeholder value. Our executive compensation programs are structured to support our business strategy and to ensure long-term alignment between our executives and our shareholders.

2017 Business Overview

Our Company, together with our subsidiaries and affiliates, is a leading specialty construction company in the building, industrial, and infrastructure sectors in the continental United States, Alaska, Canada, and the Caribbean Basin through our marine construction and concrete segments. Our marine segment services include marine transportation facility construction, marine pipeline construction, marine environmental structures, dredging of waterways, channels and ports, environmental dredging, design, and specialty services. Our concrete segment provides turnkey concrete construction services including pour and finish, dirt work, layout, forming, rebar, and mesh across the light commercial structural and other associated business areas.

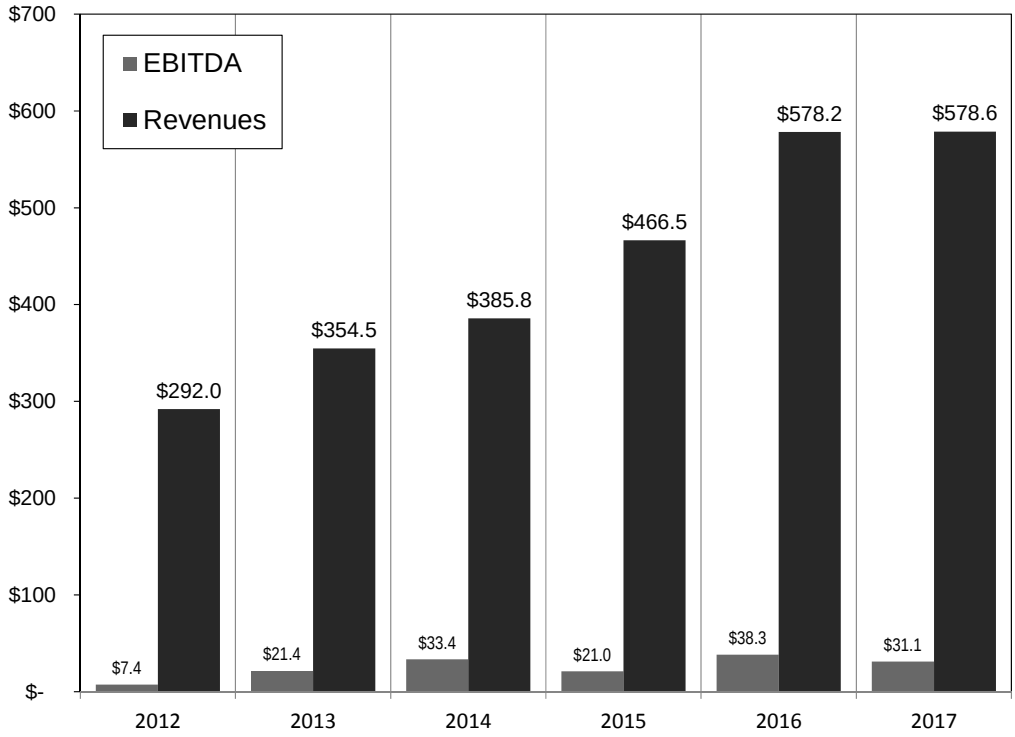
In 2017, we recorded revenues of $578.6 million, of which $292.8 million was attributable to our concrete segment and the remaining $285.7 million to our marine segment. While our consolidated full year 2017 revenues were flat compared to 2016, we recorded net income of $0.4 million, as compared with net loss of $3.6 million in the prior year. Additional highlights from fiscal 2017 included the following:

- Continued strong demand for services across market segments;
- Continued to right-size infrastructure sector by reducing costs and evaluating equipment needs in the marine segment to meet forward market demand;
- Expanded the building sector by entering into the strong growth market of Central Texas with the acquisition and integration of a concrete company serving this region;
- Prepared to further develop our targeted infrastructure, industrial and building sectors;
- Bid on $2.5 billion of projects during 2017, with a win rate of 24%; and
- Backlog of work under contract as of December 31, 2017 was $360.6 million, which compares with backlog under contract at December 31, 2016 of $434.0 million, or a decrease of 17%.

While 2017 was a challenging year with customer permitting delays in the first half, and significant hurricane impacts in the third quarter, we ended the year with solid operational performance and continued strong market demand. Upcoming opportunities, in addition to macroeconomic drivers for our concrete and marine business segments, provide us with confidence as we enter 2018. We remain excited about the future and believe we have solid fundamentals for continued success.

The following chart shows our business performance over the past five years, using revenues as reported in our audited financial statements and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), a non-GAAP measure that is important as a key financial performance measure for us because it is allows our management team and other reviewers of our financial statements (such as investors and analysts) to assess the financial performance of our assets without regard to financing methods, capital structure, or historical cost. EBITDA is also a key metric in the annual incentive plan for our NEOs.

Consistent Pattern of Growth 2012 – 2017 ($ millions)



The GAAP financial measure that is most directly comparable to EBITDA is net income. For each of the fiscal years included in the chart above, our net income or loss, as reported in our audited financial statements, was as follows: fiscal 2012, net loss of $11.9 million; fiscal 2013, net income of $0.3 million; fiscal 2014, net income of $6.9 million; fiscal 2015, net loss of $8.1 million; fiscal 2016, net loss of $3.6 million and fiscal 2017, net income of $0.4 million.

Summary of 2017 Executive Compensation Decisions

As described in greater detail below, the three primary components of our program are base salaries, annual bonus opportunities under our NEO Bonus Plan (the "NBP") and long-term equity incentive awards. Highlights of our program for fiscal 2017 include:

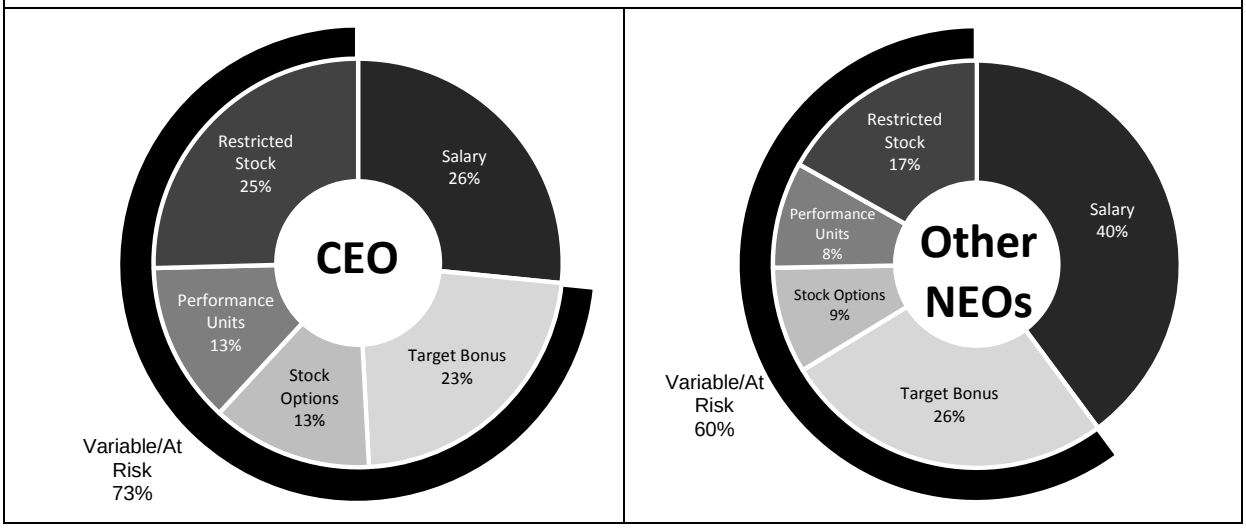
- **Base Salaries:** after two years of no salary changes, base salaries were increased in January 2017 to be more consistent with median salaries for similarly situated executives in our peer group. Increases ranged between 4.5% and 19.1%.
- **Annual Bonus Plan:** We achieved sufficient cash flow performance for fiscal 2017 to fund a payout under the NBP. However, due to the challenges faced by our employees and the Company as a result of the unprecedented weather events during the year, it was determined that it was not appropriate for the NEOs to be paid a bonus with respect to FY 2017 performance. This is the third year in a row that there were no annual bonus payments under the NBP.
- **Equity Awards:** the Committee approved awards using the same mix of restricted stock, stock options and performance shares that were granted during 2016 but grant values for 2017 were increased to better align with the median equity grants made to similarly situated executives in our peer group.

2017 Executive Compensation Approach

In 2017, the Committee set target total direct compensation (i.e., base salary, target NBP award, and target long-term incentive award) consistent with our long-standing compensation philosophy, which:

- Provides an externally competitive compensation package to help attract, motivate, and retain top executive talent;
- Places the majority of executive pay at risk; and
- Ties executive pay to long-term growth in stockholder value.

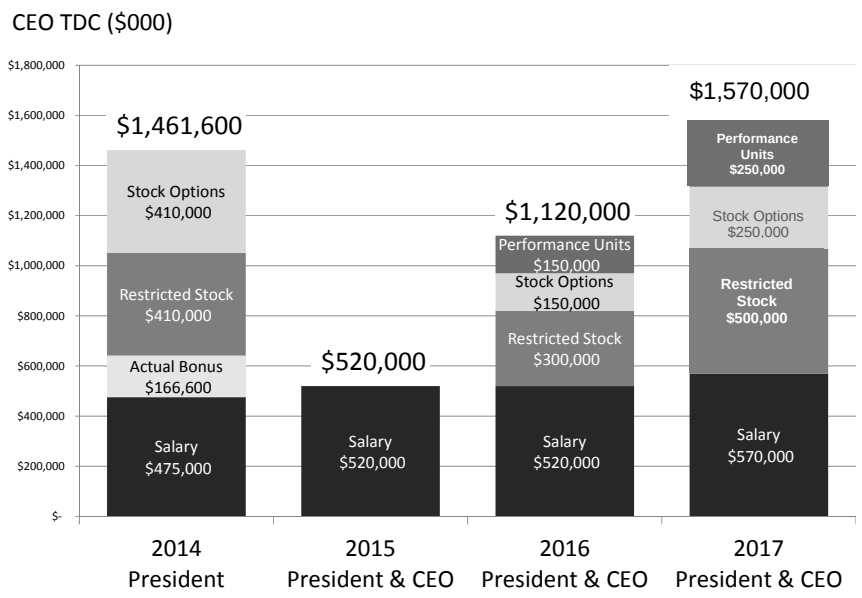
NEO Target Total Direct Compensation Mix 2017



CEO Pay At-A-Glance

As noted, our program is structured to place a majority of NEO compensation at risk with realized value dependent upon Company performance. The chart below provides a summary of total direct compensation for our CEO, Mr. Stauffer, for 2014 (the year he was appointed President), 2015 (the year he was elevated to President & CEO), 2016, and 2017. As shown:

CEO PAY AT A GLANCE



The long-term incentive values shown reflect the grant date value, or target value, of equity awards granted during each year.

As shown, Mr. Stauffer has not been paid a bonus since 2014.

2017 Say On Pay Vote

The Committee values the input of our stockholders. At our 2017 annual meeting of stockholders, we received over 97% support for our executive compensation program. The Committee values stockholders' input on the design of our program and believes the 2017 vote result demonstrates strong stockholder support for the Company's approach to executive compensation.

As we continue to grow, we are committed to continuing to ensure the alignment of our business priorities and stockholder interests. The Committee will continue to review and evaluate our program during 2018 in order to determine what, if any, additional changes are appropriate for the coming year.

Our Executive Compensation Practices

Adherence to executive compensation best practices is a critical component of good corporate governance, aids our Committee in its decision-making process, enhances our ability to manage compensation-related risk, and is always in the best interests of our stockholders and executives. Below are highlights of our current practices and policies that guide our executive compensation program:

What We Do		What We Don't Do	
✓	Pay for performance	X	No tax gross ups
✓	Significant emphasis on at-risk pay	X	No repricing of stock option awards
✓	Executive and director stock ownership requirements	X	No hedging of Company stock
✓	Independent Compensation Consultant	X	No special benefits or perquisites for NEOs
✓	Double-trigger vesting of equity awards upon a change of control	X	No accelerated vesting upon termination, except after a change of control

Compensation Program Overview: What Guides Our Program

Our Compensation Philosophy and Objectives

Our Company is one of the leaders in the specialty construction industry because it has an array of highly-experienced people, strength in resources, and the geographic reach to provide customers a full suite of turn-key specialty construction solutions that meet even the most challenging needs. Maintaining this leading posture and ensuring we are positioned for future success requires that we attract, retain, and engage the talent necessary to grow the company, to ensure the quality and sustainability of that growth, and to produce positive long-term returns for our stockholders.

We have designed our executive compensation program to provide an externally competitive and internally equitable total rewards package that reflects individual and company performance, job complexity, and strategic value of the position while ensuring long-term retention and motivation. Our philosophy has been to closely align the compensation paid to our executives with the performance of the company on both a short-term and long-term basis, and to set performance goals that support the Company's long-term goals. Because of our emphasis on pay-for-performance, our executive compensation has historically been heavily weighted toward incentive (variable) compensation, which is directly tied to achieving results. As performance goals are met or exceeded, executives are rewarded commensurately; conversely, if goals are not met, actual earned compensation is lower.

To further our mission of producing superior financial returns for our stockholders, we have designed our program to with the following objectives:

Objectives	Guiding Principles	
	Generally	**Specifically**
Retain and attract highly qualified executives	Pay competitively	Use statistics developed from a review of compensation survey data and publicly-disclosed peer company pay data as a reference point to help establish competitive pay opportunities.
Pay for Performance and motivate executives to grow long-term stockholder value	Link a significant part of compensation to our financial and stock price performance, especially long-term performance	Weight executive compensation program in favor of incentive compensation – balancing rewards for driving sustained profitability on an annual basis with equity-based compensation elements in the form of stock options and restricted stock.
Further **align executive and stockholder interests**	Encourage and facilitate significant ownership of our stock by executives	Make annual equity-based grants in the form of performance shares, stock options and time-based restricted shares – promoting an ownership culture and providing a powerful incentive to grow stockholder value. Share ownership requirements further enhance alignment and focus on long-term ownership.

Principle Elements of Compensation: Total Direct Compensation ("TDC")

As described previously, our philosophy and objectives are supported by the following principle elements of pay in our executive compensation program:

Element	Form	Description	Attract & Retain	Pay for Performance	Align Executive and Stockholder Interests
Base Salary	Cash (Fixed)	• Fixed cash payment for performing day-to-day responsibilities. • Critical in attracting and retaining qualified personnel	✓		
Annual Cash Bonus (under NBP)	Cash (Variable)	• Provides competitively annual incentive opportunities for achieving short-term financial goals and other strategic objectives measured over the current year.	✓	✓	✓
Long-Term Incentives (LTI)	Equity (Variable)	• **Performance shares** of restricted stock with vesting contingent upon achieving multi-year financial performance goals. • **Stock options** vest over three years and have no value unless stock price appreciates after the date of grant. • **Restricted shares** vest over three years and provide immediate retention value and direct alignment with shareholders by encouraging long-term share ownership.	✓	✓	✓

NEOs are also eligible to receive and participate in other benefits generally available to all Company employees, including a qualified 401(k) savings plan that provides participants with the opportunity to defer a portion of their compensation, up to tax code limitations (and a matching contribution from the Company). The only benefit provided to our executives that is not generally available to all employee is an automobile allowance (for 2017, the value of this perquisite was $15,000 or less per NEO). See page 30 for more information.

The Role of the Compensation Committee

Our Board is responsible for making decisions about the compensation of our NEOs. The purpose of its Compensation Committee, which is composed solely of independent directors, is to assist the Board in discharging this responsibility by, among other things:

- Reviewing and discussing with management the factors underlying our compensation policies and decisions, including overall compensation objectives;
- Reviewing and discussing with management the relationship between the company's compensation policies and practices, including the extent to which those policies and practices create risks for the company;
- Reviewing and approving all company goals and objectives (both financial and non-financial) relevant to the compensation of the CEO;
- Evaluating, together with the other independent directors, the performance of the CEO in light of these goals and objectives and the quality and effectiveness of his leadership;
- Recommending to the Board for approval by the independent directors each element of the compensation of the CEO;
- Reviewing the performance evaluations of all other members of executive management (the CEO is responsible for the performance evaluations of the non-CEO executive officers);
- Reviewing and approving (and, if applicable, recommending to the Board for approval) each element of compensation, as well as the terms and conditions of employment, of these other members of executive management; and
- Granting all awards under our equity compensation plans and overseeing the administration of all such plans.

The Committee works very closely with management and the Committee's independent consultant to examine the effectiveness of the Company's executive compensation program throughout the year. Details of the Committee's authority and responsibilities are specified in its charter, which is available on the Corporate Governance page of our website (www.orionmarinegroup.com/Corporate-Governance.html).

The Role of Management

The CEO, who may attend part of certain Committee meetings at the Committee's request, assists the Committee in determining the compensation of all other NEOs other than himself. Input provided by our CEO includes:

- Recommending any annual merit increases to the base salaries of the other NEOs; and
- Establishing annual individual performance objectives for the other NEOs and evaluating their performance against such objectives, subject to Committee approval.

The other NEOs do not have a role in determining their own compensation, other than discussing their annual individual performance objectives and results achieved with the CEO.

The Role of the Independent Consultant

In furtherance of the Committee's responsibility, the Committee engaged Pearl Meyer to assist the Committee in evaluating our executive compensation during fiscal 2017. In connection with this engagement, Pearl Meyer reported directly and exclusively to the Committee. During fiscal 2017, Pearl Meyer provided the Committee competitive marketplace compensation data, as well as updates on trends and issues in executive and director compensation, and commented on the competitiveness and reasonableness of our executive and director compensation programs.

The Committee regularly reviews the services provided by its outside consultants and, based on the information provided by Pearl Meyer, has determined that Pearl Meyer is independent in providing executive compensation consulting services.

The Role of Benchmarking and Peer Groups

The industry-specific experience of our people is a key reason for the Company's leading posture in the specialty construction industry. This reputation for excellence in management and leadership make our people attractive targets for other companies. To prevent loss of our executive talent, we seek to provide an overall executive compensation program that competes well against other specialty construction companies, as well as companies in related industries. Each element of compensation is intended to help fulfill this commitment to competitiveness. Retention has been a particularly important goal for us, as we need to retain and motivate those senior executives who are in the best position to keep the Company on course as we return to profitability.

Because retention is an imperative, we consider external survey data and data from peer group compensation disclosures as important market reference points around which to make well-informed compensation decisions. While we do not consider market data to be a prescription, we generally target the median of the market for pay opportunities, with the potential (through annual cash incentives and long-term equity incentives) for executives to earn more or less than the market median depending upon performance.

The Committee periodically reviews the appropriateness of our pay posture in light of company and individual performance, as well as other factors specific to individual executives (such as tenure, internal equity concerns, etc.). No single position in the referenced surveys or within our peer group fully captures the breadth of the responsibilities of certain of our NEOs.

For fiscal year 2017 NEO compensation decisions, the Committee considered market data provided by Pearl Meyer that reflected compensation for a peer group of 14 publicly traded engineering & construction firms. While we have very few direct "peers" in the market, the companies in this group were identified in consultation with Pearl Meyer as potential competitors for talent with businesses of similar financial size and scope. Each year, the Committee reviews the peer group in order to determine whether the companies in the group remain appropriate for comparison to our Company.

A summary of the companies included in the 2017 peer group compensation review is provided below.

Ticker	Company Name	Industry Focus
AGX	Argan Inc	Construction & Engineering
ENG	ENGlobal Corp.	Energy Equipment & Services
GV	Goldfield Corporation	Construction & Engineering
GLDD	Great Lakes Dredge & Dock Corporation	Construction & Engineering
GIFI	Gulf Island Fabrication Inc	Energy Equipment & Services
HIL	Hill International Inc	Research & Consulting Services
IESC	IES Holdings, Inc.	Construction & Engineering
MTRX	Matrix Service Company	Energy Equipment & Services
MYRG	MYR Group, Inc.	Construction & Engineering

Ticker	Company Name	Industry Focus
NWPX	Northwest Pipe Co	Construction & Engineering
PRIM	Primoris Services Corporation	Construction & Engineering
STRL	Sterling Construction Co Inc	Construction & Engineering
TISI	Team Inc	Environmental & Facilities Services
VSEC	VSE Corp	Engineering & Consulting Services

At the time of the annual review, our projected 2017 revenues fell within the middle range of the peer group. As in past years, the Committee will review and revise this group as appropriate in 2018.

To supplement the peer group data (which were collected from proxy compensation disclosures), Pearl Meyer also provided compensation statistics from a review of compensation survey data. Data reflected compensation rates across a broad group of general industry companies with revenues comparable to our own. Using a robust survey sample in combination with peer group data (along with the practice of reviewing market quartiles as opposed to averages) mitigates the impact of outliers, year-over-year volatility of compensation levels, and the risk of selection bias.

We refer to the combined peer group data and survey data provided by Pearl Meyer as the "market". Based upon data from Pearl Meyer's competitive review in October 2017, target total direct compensation for our NEOs fell between the market 25th and 50th percentiles on average.

- Target total direct compensation was about 6% below market median on average (including the target annual value of equity grants in our normal annual program).
- Actual total direct compensation was about 25% below the market median on average.

While we may evaluate our target executive compensation levels against the survey group of companies, we do not compare our annual incentive plan goals against these companies or any other group of companies. Rather, as discussed below, when we set goals under the NBP, those goals have been based upon our internal business objectives — which, when set each year, represent aggressive but, in the Committee's estimation, reasonably achievable goals, based on the information then available to the Committee. Accordingly, the relationship between our financial performance and the financial performance of the survey companies does not necessarily affect the relationship between our executive compensation and the executive compensation of that group in a given year.

2017 Executive Compensation Program in Detail

Base Salary

Our primary objective with respect to the base salary levels of our NEOs is to provide sufficient fixed cash income to retain and attract these experienced and valuable executives in a competitive market for executive talent. The base salaries of our NEOs are reviewed and adjusted (if appropriate) annually to reflect, among other things, economic conditions, base salaries for comparable positions from a review of market data discussed previously, the tenure of the officers, and the base salaries of the officers relative to one another. None of the NEOs received base salary adjustments in 2016. However, based on its review of market data, the Committee decided to increase base salaries as for 2017 as detailed below, in order to more closely align executive base salaries with the median salary by our peers:

NEO	2015 Base Salary ($)	2016 Base Salary ($)	Percent Change (%)	2017 Base Salary ($)	Percent Change (%)
Mr. Stauffer	$ 520,000	$ 520,000	0%	$ 570,000	11.4%
Mr. Breaux	$ 420,000	$ 420,000	0%	$ 500,000	19.1%
Mr. Buchler	$ 335,000	$ 335,000	0%	$ 350,000	4.5%
Mr. DeAlmeida	$ 300,000	$ 300,000	0%	$ 350,000	16.7%

Annual Cash Incentives

Annual cash incentive opportunities for our NEOs are provided through our NBP. Annual target incentive opportunities are expressed as a percentage of base salary and are established by the Committee based on the NEO's level of responsibility and his ability to impact overall results.

Actual bonus payouts depend on the achievement of specific financial goals. For 2017, the Committee set targets on the basis of our achievement of consolidated corporate Net Cash Flow ("NCF") goals. NCF is defined as EBITDA, prior to any bonus computation, less net capital expenditures for the performance period. EBITDA is a key financial performance measure for our Company because it is allows our management team and other reviewers of our financial statements (such as investors and analysts) to assess the financial performance of our assets without regard to financing methods, capital structure, or historical cost. We subtract our net capital expenditures from the NCF computation because we regard investment in our core assets to be a vital component of our operations, and feel it should be accounted for in order to appropriately measure management performance on an annual basis. The NCF target set by the Committee for 2017 was $42 million.

In connection with setting targets under the NBP, the Committee also approves a trigger for when the Company begins to accrue for discretionary bonuses. For fiscal 2017, the trigger was NCF of $29 million.

The relationship between the level of NCF performance achieved and overall bonus pool funding is as follows:

Performance Level	**NCF Performance Achieved as a % of Target**	**Bonus Pool Funding as a % of Target** [(1)]
Below Threshold	< 70 %	Discretionary [(2)]
Threshold	70 %	50%
Target	100 %	100%
Above-Target	110 %	150%
Maximum	122 %	300%

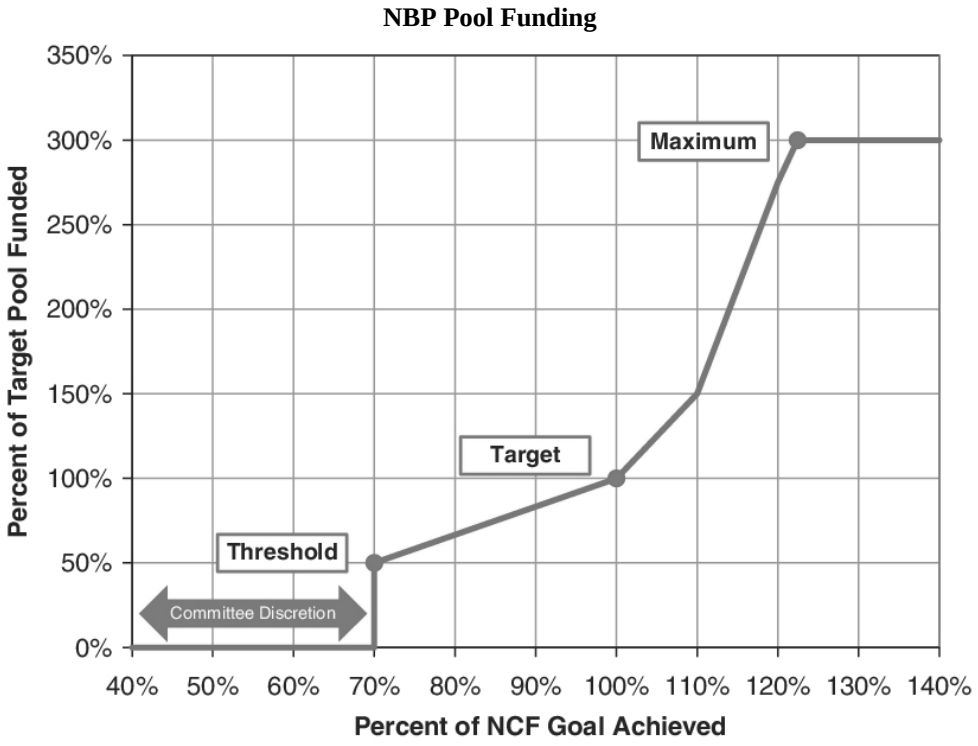
(1) Each NEO may earn a maximum incentive award of 200% of his base salary if the Company hits the Maximum level of NCF performance.

(2) If performance falls below threshold, any bonus paid to the NEOs is in the Committee's discretion and cannot exceed the total amount accrued for the fiscal year in which it is paid.

Although the Committee generally retains the authority to grant discretionary bonuses to our executives outside of our annual incentive program, historically, except on rare occasions, our Committee has not elected to do so. However, the Committee believes that it is important to have the flexibility to grant discretionary awards if the Company does not achieve one or more specific financial metrics, in the event that the Committee determines that management's overall performance during the year otherwise merits recognition. Generally, any related accruals (for fiscal 2017, no such amount was accrued) serve as a cap on any discretionary bonuses, to the extent that the Committee elects to pay them.

The formulas for calculating pool funding for performance between levels are as follows:

Performance Level					
From Threshold to Target	30%	+	[(% of NCF Goal Achieved – 70%)/60%]	×	Target Pool
From Target to Above Target			[(% of NCF Goal Achieved – 100%)/20%]	×	Target Pool
From Above-Target to Maximum	2.5	×	[(% of NCF Goal Achieved – 100%)/20%]	×	Target Pool



Actual performance for 2017 exceeded the threshold level in the NBP. However, due to the challenges faced by our employees and the Company as a result of the unprecedented weather events during the year, it was determined that it was not appropriate for the NEOs to be paid a bonus with respect to FY 2017 performance. As illustrated in the Summary Compensation Table, 2017 was the third year in a row in which our NEOs were not paid an annual bonus under the NBP.

The table below provides a summary of the individual target incentive award opportunities, as well as actual awards earned:

	Target Award Opportunity		Maximum Award Opportunity		Actual Award Paid for 2017 for 2014 Performance	
NEO	**As a% of Eligible Salary**	**$**	**As a% of Eligible Salary**	**$**	**As a% of Salary**	**$**
Mr. Stauffer	85 %	$ 484,500	200%	$ 1,140,000	0 %	$ 0
Mr. Breaux	75 %	$ 375,000	200%	$ 1,000,000	0 %	$ 0
Mr. Buchler	60 %	$ 210,000	200%	$ 700,000	0 %	$ 0
Mr. DeAlmeida	60 %	$ 210,000	200%	$ 700,000	0 %	$ 0

Long-Term Equity Incentives

Consistent with the company's compensation philosophy, the Committee believes that long-term incentives should promote improvements to stockholder value and strongly align the interests of our NEOs with those of our stockholders. Specifically, NEOs should hold a meaningful amount of unvested equity, which not only aligns their long-term interests with those of our stockholders, but also serves as an effective retention tool.

For 2017, the mix of long-term incentives included the following:

- **25% in the form of performance shares** of restricted stock, which are earned and vested are based on the achievement of specific financial performance goals. For 2017 grants, actual awards are earned only if the Company achieves an average Return on Invested Capital ("**ROIC**") over a two-year period. For fiscal 2018 and 2019, the Company must achieve a threshold ROIC level of 7.5%. The Committee will determine whether the threshold was achieved during the first quarter of fiscal year 2020. In the event that the threshold level of ROIC is not achieved, the performance shares granted in 2017 will be forfeited. ROIC equals Net

Operating Profit After Taxes ("**NOPAT**") divided by Invested Capital ("**IC**").

- **25% in the form of stock options,** which vest 33.3% on the first anniversary of the grant date and one-thirty-sixth of the shares thereafter upon completion of each full month following the first year anniversary. Unexercised option awards expire on the tenth anniversary of the grant date. Stock options are a meaningful performance-based incentive to grow stockholder value. Regardless of the grant date expected value of a stock option award, our NEOs only realize value on those awards to the extent that the stock price (and stockholder value) increases following the date of grant.
- **50% in the form of time-based shares of restricted stock,** which vest 33.3% on the first anniversary of the grant date and one-thirty-sixth of the shares thereafter upon completion of each full month following the first year anniversary. Restricted stock encourages long-term ownership of stock, while also providing an incentive with a value tied directly to our stock price. We believe our program functions as intended to encourage NEOs to build toward a meaningful level of long-term stock ownership.

The company does not backdate options or grant options retroactively. In addition, we do not intentionally coordinate grants of options so that they are made before announcement of favorable information, or after announcement of unfavorable information. Our option grants are granted at fair market value on a fixed date or event based on the closing price of a share of our common stock on that date, with all required approvals obtained in advance of or on the actual grant date. All grants to NEOs require the approval of the Committee.

2017 Target Long-Term Incentive Award Grants. The table below shows the long-term incentive award values granted for fiscal 2017 for each of the NEOs:

NEO	Stock Options*	Performance-Based Restricted Stock**	Time-Based Restricted Stock**	Total Grant Value
Mr. Stauffer	$ 250,000	$ 250,000	$ 500,000	$ 1,000,000
Mr. Breaux	$ 125,000	$ 125,000	$ 250,000	$ 500,000
Mr. Buchler	$ 65,000	$ 65,000	$ 130,000	$ 260,000
Mr. DeAlmeida	$ 65,000	$ 65,000	$ 130,000	$ 260,000

* The number of options granted to each NEO was based on a Black-Scholes valuation.

** Award amounts for time- and performance-based shares of restricted stock were determined based on the closing price of our common stock on the date of grant on May 15, 2017.

Other Programs, Policies and Guidelines

Stock Ownership Requirements

To further enhance our focus on stockholder alignment, our executive compensation program includes stock ownership requirements for our NEOs and our directors. The required ownership levels are expressed as a multiple of salary (for NEOs) or a multiple of the annual Board retainer (for directors), as summarized in the table below:

Covered Position	Stock Ownership Requirement (Minimum Value)
CEO	Three times salary
CFO	Two times salary
Other NEOs	One and a half times salary
Directors	Three times annual retainer

Shares that may be counted toward the satisfaction of these guidelines include shares held outright, through benefit plans or in trust, unvested restricted shares, and in-the-money value of unexercised stock options. Directors and NEOs have five years from the date first subject to these guidelines to comply with the minimum ownership requirement.

Benefits

Each NEO is eligible to participate in the same benefit plans and programs that are (or in the future) may be available to our other salaried employees, including any profit-sharing plan, thrift plan, health insurance or health care plan, disability insurance, pension plan, supplemental retirement plan, vacation and sick leave plan, and other similar plans. This also includes our 401(k) plan, which provides that we match 100% on the first 2% of eligible compensation contributed to the plan, and 50% on the next 2% of eligible compensation contributed to the plan. These matching contributions vest over a four-year period. At our discretion, we may make additional matching and profit sharing contributions to the plan.

We do not have any supplemental benefits or perquisites for our NEOs that are not generally available to other salaried employees in the organization. We provide our NEOs with car allowances, a benefit we feel meets a legitimate business need and is competitively appropriate. We do not own any interest in or lease any aircraft, nor do we pay or reimburse country club memberships, nor do we provide any retirement benefits beyond what is generally available to all employees. However, the Committee in its discretion may revise, amend or add to the officer's executive benefits and perquisites as it deems advisable.

The Committee reviews the overall cost to us of our benefit programs generally on an annual basis or when changes are proposed. The Committee believes that the benefits provided by these programs have been important factors in attracting and retaining key employees, including the NEOs.

Insider Trading and Speculation in Orion Stock

We have established policies prohibiting our officers, directors, and employees from purchasing or selling Company securities while in possession of material, nonpublic information, or otherwise using such information for their personal benefit or in any manner that would violate applicable laws and regulations. In addition, our policies prohibit our officers, directors, and employees from speculating in our stock, which includes short selling (profiting if the market price of our stock decreases), buying or selling publicly traded options (including writing covered calls), hedging or any other type of derivative arrangement that has a similar economic effect.

Risks Arising from Compensation Policies and Practices

Management has conducted an in-depth risk assessment of our compensation policies and practices and concluded that that they do not create risks that are reasonably likely to have a material adverse effect on the company. The Committee has reviewed and concurred with management's conclusion. The risk assessment process included, among other things, a review of (i) all key incentive compensation plans to ensure that they are aligned with our pay-for-performance philosophy and include performance metrics that meet and support corporate goals, and (ii) the overall compensation mix to ensure an appropriate balance between fixed and variable pay components and between short-term and long-term incentives. The objective of the process was to identify any compensation plans and practices that may encourage employees to take unnecessary risk that could threaten the company. No such plans or practices were identified.

Post-Employment Compensation

We have employment agreements with our NEOs, which entitle them to certain severance benefits in the case of a qualifying termination. Severance payments following a change-in-control are subject to a double-trigger, and we do not provide excise tax gross-up payments.

- Absent a change-in-control: in the event of a resignation for "good reason" (as defined in the agreements) or a termination without cause, each of our NEOs is entitled to one year of his base salary.
- Following a change-in-control: in the event a resignation for "good reason" (as defined in the agreements) or a termination without cause following a change-in-control, each of our NEOs is entitled to receive their respective base salary for two to three years (varying by position level). We do not provide any tax gross-ups.
- Treatment of unvested equity: NEOs may exercise vested stock options following termination, but upon termination all unvested equity awards lapse according to the terms of our long-term incentive plan.

Severance payments following a change-in-control are subject to a double-trigger, and we do not provide any tax gross-up payments.

The company provides these contractual severance benefits in order to help support retention of valuable executive talent, and to ensure that executives remain focused on the best interests of stockholders — particularly in the context of any potential transaction. The Committee believes that the severance benefits agreed to in the case of these termination events are reasonable in light of the potential value delivered to stockholders in return. See "Executive Compensation — Potential Payments Upon Termination or Change in Control" below.

Post-Termination Compensation Paid to Mr. Breaux

One of our NEOs, L. Dwayne Breaux, who served as our Executive Vice President and Chief Operating Officer, resigned from the Company effective December 1, 2017. In connection with his departure, Mr. Breaux executed a release agreement in favor of the Company and agreed to abide by certain restrictive covenants (including non-competition and non-solicitation of clients and employees) in exchange for the receipt of the severance benefits under his employment agreement that he would have received had his employment been terminated by the Company without cause. Specifically, Mr. Breaux is entitled to receive (a) severance in the amount of $500,000, which is being paid to him in equal installments as salary continuation payments through December 1, 2018, (b) continued payment of his auto allowance ($1,050 per month) through December 1, 2018, and (c) a transitional expense payment of $2,500 per month through December 1, 2018. All of his time- and performance-based restricted shares and unvested options that were outstanding as of his separation date were forfeited as of that date, and all of his unexercised options were forfeited as of March 1, 2018. Given that he separation from employment prior to the end of the year, Mr. Breaux would not have been entitled to receive a bonus under the NBP even if any such bonuses had become payable.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code ("Section 162(m)") limits the amount of compensation paid to certain covered officers that we may deduct for federal income tax purposes to $1 million per covered officer per year. Historically, compensation that qualified as "performance-based compensation" within the meaning of Section 162(m) was not subject to the $1 million limitation. In recent years, largely due to the availability of this performance-based exemption, the deductibility of various payments and benefits has been one factor among many considered by the Committee in determining executive compensation.

However, the federal tax reform legislation passed in December 2017 included significant changes to Section 162(m). Among these changes were an expansion of the scope of covered officers subject to the Section 162(m) deduction limitation and the elimination of the performance-based compensation exemption. For taxable years beginning after December 31, 2017, compensation paid to a covered officer in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain performance-based arrangements in place as of November 2, 2017. Among other things, this means that all compensation paid to each covered officer in 2018 and beyond will be subject to the $1 million deduction limitation, regardless of whether it is structured as performance-based compensation, unless the transition relief applies.

Section 162(m) is highly technical and complex. Because of ambiguities as to the application and interpretation of Section 162(m), including the uncertain scope of the transition relief for "grandfathered" performance-based compensation, we can give no assurance that compensation intended to satisfy the requirements for performance-based exemption from the Section 162(m) deduction limit will, in fact, satisfy the exemption. Further, the Committee reserves the right to modify compensation that was initially intended to be exempt from Section 162(m) if it determines that such modifications are consistent with the company's business needs.

CEO Pay Ratio Disclosure

We determined that the 2017 annual total compensation of the median compensated of all our employees who were employed as of December 31, 2017, other than our CEO, Mark R. Stauffer, was $44,905. Mark R. Stauffer's 2017 annual total compensation was $1,592,650; and the ratio of these amounts was 35.5 to 1. We have a total of 2,190 employees, excluding Mr. Stauffer, all temporary employees and all independent contractors paid by third parties.

To identify the median employee, we used a consistently applied compensation measure (CACM) of base salary plus overtime, bonuses and auto allowance for fiscal 2017, annualizing the CACM for those employees hired during 2017.

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology described above. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

EXECUTIVE COMPENSATION

The table below sets forth information regarding compensation earned by, awarded to or paid to anyone who served as the Company's principal executive officer or principal financial officer during fiscal year 2017, and our other named executive officers at December 31, 2017 (collectively, the "Named Executive Officers").

Summary Compensation Table

Name	Year	Salary	Non-Equity Incentive Plan Compensation[1]	Awards[2]		All Other Compensation	Total
				Stock Awards	Option Awards		
Mark R. Stauffer	2017	$570,000	$ 0	$750,000	$250,000	$22,650[3]	$1,592,650
President & CEO	2016	$520,000	$ 0	$450,000	$150,000	$22,650	$1,142,650
	2015	$528,615	$ 0	$ 0	$ 0	$15,289	$543,904
Christopher J. DeAlmeida	2017	$350,000	$ 0	$195,000	$65,000	$20,250[4]	$630,250
EVP, CFO & Treasurer	2016	$300,000	$ 0	$126,000	$42,000	$20,250	$488,250
	2015	$305,000	$ 0	$ 0	$ 0	$12,842	$317,842
Peter R. Buchler	2017	$350,000	$ 0	$195,000	$65,000	$19,861[5]	$629,861
EVP, CCO, CAO, GC & Secretary	2016	$335,000	$ 0	$127,500	$42,500	$19,897	$524,897
	2015	$341,135	$ 0	$ 0	$ 0	$12,842	$353,977
L. Dwayne Breaux[6]	2017	$458,333	$ 0	$325,000	$125,000	$561,411[7]	$1,469,744
former EVP and COO	2016	$420,000	$ 0	$318,750	$106,250	$20,250	$865,250
	2015	$103,385	$ 0	$225,000	$225,000	$3,150	$556,535

[1] Each NEO is eligible to earn a bonus under our NEO Bonus Plan (the "NBP"). However, no bonuses were awarded under the NBP to any of our NEOs during each of the three fiscal years reported in the table. For information regarding the NBP for fiscal 2017, please see the discussion entitled, "2017 Executive Compensation Program in Detail – Annual Cash Incentives" in the Compensation Discussion & Analysis section of this proxy statement.

[2] Represents the grant date fair value of equity awards granted during the fiscal year as determined under ASC Topic 718. Includes both our time- and performance-based shares of restricted stock valued at the closing price of a share of our common stock on the grant date. We value our option awards using a Black-Scholes model. For more information on how we value our equity awards, please see Note 15 of the notes to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. For more information on the equity awards granted during fiscal 2017, please see the next table ("Grants of Plan-Based Awards").

[3] For Mr. Stauffer, his 2017 amount reflects an automobile allowance provided to him of $15,000 and the Company's matching contribution under the Company's 40l(k) Plan in the amount of $7,650.

[4] For Mr. DeAlmeida, his 2017 amount reflects an automobile allowance provided to him of $12,600 and the Company's matching contribution under the Company's 40l(k) Plan in the amount of $7,650.

[5] For Mr. Buchler, his 2017 amount reflects an automobile allowance provided to him of $12,600 and the Company's matching contribution under the Company's 40l(k) Plan in the amount of $7,261.

[6] Mr. Breaux resigned from his role as Executive Vice President and Chief Operating Officer effective December 1, 2017.

[7] For Mr. Breaux, his 2017 amount reflects (a) certain benefits provided to him during his 11 months of employment, including an automobile allowance of $11,550 and the Company's matching contribution under the Company's 401(k) Plan in the amount of $7,261 and (b) severance payments totaling $542,600, which will be paid to him in installments over the one-year period following his separation of employment. For information regarding severance paid to Mr. Breaux, please see the discussion entitled, "Post-Termination Compensation to Mr. Breaux" in the Compensation Discussion & Analysis section of this proxy statement.

Grants of Plan Based Awards

The table below present's additional information regarding equity and non-equity incentive plan awards granted to our named executive officers during the fiscal year ended December 31, 2017.

Name and Type of Grant	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]		Estimated Future Payouts under Equity Incentive Plan Awards[2] (#)	All Other Stock Awards: Number of Shares of Stock or Units[3] (#)	Option Awards: Number of Securities Underlying Options[4] (#)	Exercise Price of Option Awards ($/sh)	Grant Date Value of Stock and Option Awards[5] ($)
		Target ($)	Maximum ($)					
Mark R. Stauffer								
Annual Cash Incentive		484,500	1,140,000					
Option Grant	5/25/17					102,459	7.22	250,000
Performance Shares	5/25/17			34,626				250,000
Restricted Shares	5/25/17				69,252			500,000
Christopher J. DeAlmeida								
Annual Cash Incentive		210,000	700,000					
Option Grant	5/25/17					26,639	7.22	65,000
Performance Shares	5/25/17			9,003				65,000
Restricted Shares	5/25/17				18,006			130,000
Peter R. Buchler								
Annual Cash Incentive		210,000	700,000					
Option Grant	5/25/17					26,639	7.22	65,000
Performance Shares	5/25/17			9,003				65,000
Restricted Shares	5/25/17				18,006			130,000
L. Dwayne Breaux[6]								
Annual Cash Incentive		375,000	1,000,000					
Option Grant	5/25/17					51,230	7.22	125,000
Performance Shares	5/25/17			17,313				125,000
Restricted Shares	5/25/17				34,626			250,000

[1] Represents the target and maximum possible awards that could be earned by each NEO under our NEO Bonus Plan for fiscal 2017 performance. However, as reported in the Summary Compensation Table under "Non-Equity Incentive Plan Compensation," no bonuses became payable to any of the NEOs under the NEO Bonus Plan for fiscal 2017.

[2] Represents performance shares of restricted stock that will vest on the third anniversary of the date of grant, provided that the applicable performance metric is met (average return on invested capital for fiscal 2018 and 2019 of at least 7.5%).

[3] Represents shares of restricted stock, one-third of which vest on the first anniversary of the grant date and one-thirty-sixth of the shares vest thereafter upon completion of each full month following such anniversary, subject to the holder's continued employment.

[4] Represents stock options, one-third of which vest on the first anniversary of the grant date and one-thirty-sixth of the shares vest thereafter upon completion of each full month following such anniversary, subject to the holder's continued employment.

[5] Represents the grant date fair value of the stock or option awards, as determined under ASC Topic 718, with options valued using a Black-Scholes model.

[6] Mr. Breaux separated from employment on December 1, 2017. All of his equity awards that were unvested as of his termination date (including those granted during 2017) were forfeited as of such date. In addition, although he was eligible to participate in the NBP during his employment period, he would not have been eligible to receive a bonus for fiscal 2017 even if bonuses had been awarded under NBP given that he was not employed with the Company at the end of the fiscal year.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding options or warrants authorized for issuance under our equity compensation plans as of December 31, 2017:

Plan category	Column A Number of securities to be issued upon exercise of outstanding options, warrants and rights	Column B Weighted average exercise price of outstanding options, warrants and rights	Column C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A)
Equity compensation plans approved by stockholders	2,024,130	$7.69	2,095,563
Equity compensation plans not approved by stockholders	—	—	—
Total	2,024,130	$7.69	2,095,563

The weighted average term of outstanding options, warrants and rights as of December 31, 2017 was 5.26 years.

Outstanding Equity Awards at Fiscal Year End 2017

The following table reflects all outstanding equity awards held by our named executive officers as of the year ended December 31, 2017:

		Option Awards [1]				Stock Awards			
						Equity Incentive Plan Awards [2]		All Other Stock Awards [3]	
		Number of securities underlying unexercised options							
NEO	Grant Date	Exercisable (#)	Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not vested (#)	Market Value of Shares or Units that have not vested [4] ($)	Number of Shares or Units of Stock that have not vested (#)	Market Value of Shares or Units of Stock that have not vested [4] ($)
Mark R. Stauffer	10/7/2008	29,860	—	$6.00	10/07/2018				
	11/19/2009	20,564	—	$19.11	11/19/2019				
	11/18/2010	26,718	—	$13.69	11/18/2020				
	8/18/2011	94,773	—	$6.00	08/18/2021				
	11/20/2014	64,063	—	$11.35	11/20/2024				
	5/19/2016	47,193	42,627	$4.94	05/19/2026	30,364	237,750	28,820	225,661
	5/25/2017	—	102,459	$7.22	05/25/2027	34,626	271,122	69,252	542,243
Christopher J. DeAlmeida	11/19/2009	5,875	—	$19.11	11/19/2019				
	11/18/2010	7,634	—	$13.69	11/18/2020				
	11/20/2014	14,063	—	$11.35	11/20/2024				
	05/19/2016	13,215	11,935	$4.94	5/19/2026	8,502	66,571	8,069	63,180
	05/25/2017	—	26,639	$7.22	5/25/2027	9,003	70,493	18,006	140,987
Peter R. Buchler	9/1/2009	15,000	—	$19.59	09/01/2019				
	11/19/2009	10,282	—	$19.11	11/19/2019				
	11/18/2010	13,359	—	$13.69	11/18/2020				
	8/18/2011	65,136	—	$6.00	08/18/2021				
	11/20/2014	14,063	—	$11.35	11/20/2024				
	5/19/2016	13,372	12,077	$4.94	05/19/2026	8,603	67,361	8,165	63,932
	5/25/2017	—	26,639	$7.22	05/25/2027	9,003	70,493	18,006	140,987
L. Dwayne Breaux [5]	9/29/2015	103,701	—	$5.82	03/01/2018				
	5/19/2016	31,653	—	$4.94	03/01/2018	--	--	--	--
	5/25/2017	—	—	$7.22	03/01/2018	--	--	--	--

(1) All unvested stock option awards vest one-third on the first anniversary of the grant date and one-thirty-sixth of the options vest thereafter upon completion of each full month following such anniversary, subject to the holder's continued employment.

(2) Represents performance shares, which vest on the third anniversary of the date of grant if the company's two-year average return on invested capital for is equal to or greater than a specified threshold, subject to the holder's continued employment. For performance shares granted in 2016, the two-year average will be determined based on ROIC for fiscal years 2017 and 2018 and must exceed 7.5% for the shares to vest. For performance shares granted in 2017, the two-year average will be determined based on ROIC for fiscal years 2018 and 2019 and must exceed 7.5% for the shares to vest.

(3) Represents time-based restricted shares, one-third of which vest on the first anniversary of the grant date and one-thirty-sixth of the shares vest thereafter upon completion of each full month following such anniversary, subject to the holder's continued employment.

(4) Based on the closing price of a share of our common stock on the last trading day of the fiscal year ($7.83 on December 29, 2017).

(5) Mr. Breaux left the Company on December 1, 2017. All of his equity awards that were unvested as of his separation date (including those granted during 2017) were forfeited as of such date although he was permitted to retain any vested but unexercised options for a three-month period following his separation from employment. On March 1, 2018, all of his unexercised options were terminated.

Option Exercises and Stock Vested In Fiscal Year Ended 2017

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Option Value Realized on Exercise [1] ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting [2] ($)
Mark R. Stauffer	--	--	43,001	311,253
Christopher J. DeAlmeida	24,814	45,456	11,370	82,061
Peter R. Buchler	--	--	11,476	82,816
L. Dwayne Breaux	--	--	33,273	242,497

(1) Determined based on the number of options exercised multiplied by the difference between the closing price of a share of our common stock on the date of exercise and the option exercise price.
(2) Determined based on the closing price of a share of our common stock on the date of vesting.

Potential Payments Upon Termination or Change in Control

Overview

This section describes the benefits payable to our named executive officers in two circumstances:

- Change in control
- Termination of employment

Employment Agreements with Certain Officers

We have entered into employment agreements with each of our Chief Executive Officer, our Chief Financial Officer, our other named executive officers and certain other key employees. Each of the current agreements provides for a base salary, a potential bonus, and participation in our benefit plans and programs.

Annualized base salaries at December 31, 2017 for each of our then named executive officers were as follows: Mark R. Stauffer - $570,000; Peter R. Buchler - $350,000; and Christopher J. DeAlmeida - $350,000. Under the employment agreements, in the event of a resignation for good reason or a termination without cause, each officer is entitled to severance benefits in the form of salary continuation payments for a period of one year if the termination is not in connection with a change of control.

These employment agreements also provide for certain change of control benefits. Each officer is entitled to severance benefits in the form of salary continuation payments for a set period of time in the event of a resignation for good reason or a termination without cause, if the termination occurs within three months prior to, or within twelve months after, a change of control. Such period is two and one-half years for Messrs. Buchler and DeAlmeida, and three years for Mr. Stauffer. If necessary, the amount of the severance payments will be reduced to an amount such that the aggregate payments and benefits to be provided to the officer do not constitute a “parachute payment” subject to a federal excise tax.

The agreements also include confidentiality provisions without a time limit and non-competition provisions that apply during the periods specified in the employment agreements.

For this purpose, the term “change in control” or “during a protection period” generally means the occurrence of any of the following events:

(a) A “change in the ownership of the Company” which will occur on the date that any one person, or more than one person acting as a group, acquires ownership of our stock that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of our stock; however the following acquisitions will not constitute a change in control: (i) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by us or any entity controlled by us or (ii) any acquisition by investors (immediately prior to such acquisition) of us for financing purposes, as determined by the Compensation Committee in its sole discretion.

(b) A “change in the effective control of the Company” which will occur on the date that either (i) any one person, or more than one person acting as a group, acquires ownership of our stock possessing 35% or more of the total voting power of our stock, excluding (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by us or (z) any acquisition by investors (immediately prior to such acquisition) of us for financing purposes, as determined by the Compensation Committee in its sole discretion or (ii) a majority of the members of the Board are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election.

(c) A "change in the ownership of a substantial portion of the Company's assets" which occurs on the date that any one person, or more than one person acting as a group, acquires our assets that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of our assets immediately prior to such acquisition.

The employment agreements also provide for termination of employment unrelated to a change in control (as defined above) if the executive is terminated without cause (as defined below) or he voluntarily terminates his employment for good reason (as defined below).

The term "cause" means: (a) a material breach by the executive of the noncompetition and confidentiality provisions of the employment agreement; (b) the commission of a criminal act by the executive against us, including, but not limited to, fraud, embezzlement or theft; (c) the conviction, plea of no contest or nolo contendere, deferred adjudication or unadjudicated probation for any felony or any crime involving moral turpitude; or (d) the executive's failure or refusal to carry out, or comply with, any lawful directive of our Board of Directors consistent with the terms of the employment agreement which is not remedied within 30 days after receipt of notice from us.

The term "good reason" means: (a) a substantial reduction of the executive's base salary without his consent; (b) a substantial reduction of his duties (without his consent) from those in effect as of the effective date of the employment agreement or as subsequently agreed to by the executive and us; or (c) the relocation of the executive's primary work site to a location greater than 50 miles from the current work site as of the effective date of the employment agreement.

The benefits payable to each named executive officer in each circumstance are contained in the provisions of that executive's employment agreement. These benefits ensure that the executive is motivated primarily by the needs of the Company as a whole, and not by circumstances that are outside the ordinary course of business. In general, the executive is assured that he will receive a continued level of compensation if his employment is adversely affected by the termination of employment or a change in control of the Company.

Payment of these benefits is conditional upon the Company's receipt of appropriate waivers and a release from all claims against the Company.

Summary of Payments

The table below summarizes the benefits payable to each named executive in the various termination scenarios. No benefits are payable if an executive voluntarily terminates employment without good reason or employment is terminated by us for cause.

In all cases, the executive has the right to exercise vested stock options. Equity awards for which vesting has not occurred will be forfeited according to the provisions of the LTIP.

The tables below assume that the terminations took place on and with salaries in effect on December 31, 2017, but are based upon the terms of Amendment One effective January 1, 2017 of that certain Employment Agreement with Mr. Stauffer, Amendment One effective April 1, 2017 of that certain Employment Agreement with Mr. Buchler and Amendment Two effective January 1, 2018 of that certain Employment Agreement with Mr. De Almeida.

Mark R. Stauffer	Death Or Disability	Involuntary termination without cause or for good reason, not during a protection period	Involuntary termination without cause or for good reason, and during a protection period (Change of Control)
Severance	$ -	$ 570,000	$ 1,710,000
Annual Incentive*	-	116,600	349,800
Car Allowance	-	15,000	45,000
Transitional	-	30,000	90,000
Total	$ -	$ 731,600	$ 2,194,800

Peter R. Buchler	Death Or Disability	Involuntary termination without cause or for good reason, not during a protection period	Involuntary termination without cause or for good reason, and during a protection period (Change of Control)
Severance	$ -	$ 350,000	$ 875,000
Annual Incentive*	$ -	39,390	98,475
Car Allowance	$ -	12,600	31,500
Transitional	$ -	30,000	75,000
Total	$ -	$ 431,990	$ 1,079,975

Christopher J. DeAlmeida	Death Or Disability	Involuntary termination without cause or for good reason, not during a protection period	Involuntary termination without cause or for good reason, and during a protection period (Change of Control)
Severance	$ -	$ 350,000	$ 875,000
Annual Incentive*	$ -	33,750	84,375
Car Allowance	$ -	12,600	31,500
Transitional	$ -	30,000	75,000
Total	$ -	$ 426,350	$ 1,065,875

*Based on the last annual incentive actually paid to the officer by the Company, even if in a prior fiscal year.

Our fourth NEO, L. Dwayne Breaux, separated from employment on December 1, 2017. For information regarding amounts that were paid to him upon his separation from employment, please see the discussion entitled, "Post-Termination Compensation Paid to Mr. Breaux," in the Compensation Discussion & Analysis section of this proxy statement.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Board has charged the Audit Committee to review all related party transactions as defined by SEC rules. Related party transactions are Company transactions that involve the Company's directors, executive officers, director nominees, 5% or more beneficial owners of the Company's common stock, immediate family members of these persons (which shall include a person's spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and persons sharing the same household of the foregoing persons), or entities in which one of these persons has a direct or indirect material interest. A related party transaction means any transaction, or series of similar transactions (and any amendments, modifications or changes thereto), in which the amount exceeds $120,000. A related party transaction does not include compensatory arrangements with the Board or executive officers or certain other transactions. Pursuant to the Company's Code of Business Conduct and Ethics, employees and directors have a duty to report any potential conflicts of interest to the appropriate level of management or to the Board. The Company evaluates these reports along with responses to the Company's annual director and officer questionnaires for any indication of possible related party transactions. If a transaction is deemed by the Company to be a related party transaction, the information regarding the transaction is forwarded to the Audit Committee for review and approval. The Board has delegated the authority to review and approve all related party transactions to its Audit Committee. For fiscal year 2017, there were no related party transactions.

AUDIT COMMITTEE REPORT

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference in any other filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The Audit Committee of the Company's Board of Directors consists of three non-employee directors, each of whom the Board has determined (i) meets the independence criteria specified by the SEC and the requirements of NYSE listing standards and (ii) at least one member meets certain standards as an audit committee financial expert. Mr. Stoever, Chairman of the Committee, meets the relevant standards as an audit committee financial expert.

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls for financial reporting. The Audit Committee is responsible for the oversight of the Company's financial reporting process on behalf of the Board of Directors. In fulfillment of its responsibilities, the Audit Committee has discussed with the Company's independent auditors their plan for the audit of the Company's annual consolidated financial statements and the independent auditors' evaluation of the effectiveness of the Company's internal control over financial reporting, as well as reviews of the Company's quarterly financial statements. The Audit Committee met regularly with the independent auditors, with and without management present, to discuss the results of their audits and reviews, as well as their evaluations of the Company's internal control over financial reporting and the overall quality of the Company's accounting principles. The Audit Committee has reviewed and discussed with management and the Company's independent registered public accounting firm the Company's audited consolidated financial statements and such matters. In addition, the Audit Committee has received from the Company's independent registered public accounting firm the written disclosures required by Public Company Accounting Oversight Board ("PCAOB") *Auditing Standard No. 1301* (formerly *Auditing Standard No. 16*) – *Communications with Audit Committees* , as adopted by the PCAOB, and the letter from the independent auditors required by the PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, regarding the independent auditors' communications with the Audit Committee concerning independence. The Audit Committee has also discussed with the independent auditors the auditors' independence from the Company and its management. In determining that the auditors are independent, the Audit Committee also considered whether the provision of any of the non-audit services described below under "Fees of the Independent Auditors" is compatible with maintaining their independence.

In reliance on the reviews and discussions above, the Audit Committee recommended to the Board, and the Board approved, the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC.

Respectfully submitted by the members of the Audit Committee

Gene G. Stoever, *Chairman*
Richard L. Daerr, Jr.
Thomas N. Amonett

Audit Fees

The following table sets forth the aggregate fees KPMG billed to the Company for the years ended December 31, 2017 and 2016.*

	2017	Percent Approved by Audit Committee	2016	Percent Approved by Audit Committee
Audit fees[1]	$ 970,000	100%	$ 0	100%
Audit-related fees[2]	$ 0	100%	$ 0	100%
Tax fees[3]	$ 0	100%	$ 0	100%
All other fees	$ 0	—	$ 0	—
Total fees	$ 970,000	100%	$ 0	100%

*As discussed under Proposal 3, KPMG served as the Company's independent auditor for fiscal 2017 only. EY served as the Company's independent auditor for fiscal 2016.

Audit and Non-Audit Service Approval Policy

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the related rules and regulations, the Audit Committee has adopted procedures for the pre-approval of audit and permissible non-audit services provided by the independent registered public accounting firm.

[1] Includes professional services for the audit of the Company's annual financial statements, reviews of the Company's quarterly financial statements, services normally provided by the Company's independent registered public accounting firm in connection with statutory and regulatory filings or engagements that only the independent registered public accounting firm can reasonably provide, such as comfort letters, statutory audits, attest services, consents and assistance and review of documents filed with the SEC.
[2] Includes fees associated with assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements, including, if applicable, fees related to assistance in financial due diligence related to mergers and acquisitions and consultation regarding generally accepted accounting principles.
[3] The Company retains another accounting firm to provide tax return preparation services.

Audit Services. The Audit Committee annually approves specified audit services engagement terms and fees and other specified audit fees. All other audit services must be specifically pre-approved by the Audit Committee. The Audit Committee monitors the audit services engagement and may approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope or other items.

Audit-Related Services. Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements, which historically have been provided by our independent registered public accounting firm, and are consistent with the SEC's rules on auditor independence. The Audit Committee annually approves specified audit- related services within established fee levels. All other audit-related services must be pre-approved by the Audit Committee.

Tax Fees. The Company retains an independent registered public accounting firm other than KPMG LLP to provide tax services, except as noted.

All Other Services. Other services, if any, are services provided by our independent registered public accounting firm that do not fall within the established audit, audit-related and tax services categories. The Audit Committee may pre-approve specified other services that do not fall within any of the specified prohibited categories of services.

Procedures for Approval of Services

All requests for services that are to be provided by our independent registered public accounting firm, which must include a detailed description of the services to be rendered and the amount of corresponding fees, are submitted to both the President and the Chairman of the Audit Committee. The Chief Financial Officer authorizes services that have been approved by the Audit Committee within the pre-set limits. If there is any question as to whether a proposed service fits within an approved service, the Chairman of the Audit Committee is consulted for a determination. The Chief Financial Officer submits to the Audit Committee any requests for services that have not already been approved by the Audit Committee. The request must include an affirmation by the Chief Financial Officer and the independent registered public accounting firm that the request is consistent with the SEC and PCAOB rules on auditor independence.

OTHER BUSINESS

Management does not intend to bring any business before the meeting other than the matters referred to in the accompanying notice. If, however, any other matters properly come before the meeting, it is intended that the persons named in the accompanying proxy will vote pursuant to discretionary authority granted in the proxy in accordance with their best judgment on such matters. The discretionary authority includes matters that the Board does not know are to be presented at the meeting by others.

Annual Report

The Annual Report to Stockholders, which includes our consolidated financial statements for the year ended December 31, 2017, has been made available to all stockholders. The Annual Report is not a part of the proxy solicitation material.

SUBMISSION OF STOCKHOLDER PROPOSALS FOR 2019 ANNUAL MEETING

If you would like us to consider including a proposal in next year's proxy statement, you must comply with the requirements of SEC Rule 14a-8 and deliver it in writing to: Corporate Secretary, Orion Group Holdings, Inc., 12000 Aerospace Avenue, Suite 300, Houston, TX 77034 by January 24, 2019.

If you are an eligible stockholder, or group of stockholders, and would like us to consider including a proxy access director nomination in next year's proxy statement, you must comply with the requirements of our proxy access by-law and deliver the required notice and supporting materials in writing to: Corporate Secretary, Orion Group Holdings, Inc., 12000 Aerospace Avenue, Suite 300, Houston, TX 77034 by January 24, 2019.

Under our By-laws, stockholder recommendations of nominees are required to be accompanied by, among other things, specific information as to the nominees and as to the stockholder making the nomination or proposal. We may require any proposed nominee to furnish such information as may reasonably be required to determine his or her eligibility to serve as a director of our company. Failure to comply with our By-law procedures and deadlines may preclude presentation of the matter at the meeting. Please see "Corporate Governance — Website Availability of Governance Documents" for information on how to access a copy of our By-laws.

If you would like to present a proposal at the next annual meeting but do not wish to have it included in our proxy statement, you must comply with the specific procedural requirements in our By-laws and deliver it in writing to: Corporate Secretary, Orion Group Holdings, Inc., 12000 Aerospace Avenue, Suite 300, Houston, TX 77034 by January 24, 2019. Failure to comply with our By-law procedures and deadlines may preclude presentation of your proposal at the meeting.

By Order of the Board of Directors

Peter R. Buchler, ***Secretary***

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017
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: 1-33891
ORION GROUP HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware State of Incorporation	**26-0097459** IRS Employer Identification Number
12000 Aerospace Avenue, Suite 300 **Houston, Texas 77034** Address of Principal Executive Office	**(713) 852-6500** Registrant's telephone number (including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, $0.01 par value per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: ☐ Yes ☑ No

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definition of "large accelerated filer", "accelerated filer", "small reporting" company and "emerging growth" company in Rule 12b-2 of the Exchange Act (Check One):
Large Accelerated Filer ☐ Accelerated Filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, initiate 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.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act) ☐ Yes ☑ No

There were 28,288,284 shares of common stock outstanding as of March 13, 2018. The aggregate market value of the Registrant's common equity held by non-affiliates was approximately $210.6 million as of June 30, 2017, the last business day of the Registrant's most recently completed second fiscal quarter, based upon the last reported sales price on the New York Stock Exchange on that date.

DOCUMENTS INCORPORATED BY REFERENCE

Part III – Portions of the Registrant's definitive Proxy Statement to be issued in connection with the 2018 Annual Meeting of Stockholders to be filed on or about April 3, 2018, are incorporated by reference in Part III of this Annual Report on Form 10-K.

ORION GROUP HOLDINGS, INC.

2017 Annual Report on Form 10-K
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PART I

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K and the documents incorporated by reference herein may contain forward-looking statements that are not based on historical fact. When used in this report, words such as “expects”, “anticipates”, “believes”, “seeks”, “estimates”, “plans”, “intends” and similar words identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although such statements are based on management’s current estimates and expectations and currently available competitive, financial and economic data, forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause our actual results to differ materially from what may be inferred from the forward-looking statements. Some of the factors that could cause or contribute to such differences are listed and discussed in Item 1A “*Risk Factors”* below and elsewhere in this Annual Report on Form 10-K. We undertake no obligation to release publicly any revisions or updates to any forward-looking statements that are contained in this document. We encourage you to read carefully the risk factors described in other documents we file from time to time with the United States Securities and Exchange Commission (the “SEC”).

Item 1. BUSINESS

General background

Orion Group Holdings, Inc., is a leading specialty construction company in the building, industrial, and infrastructure sectors in the continental United States, Alaska, Canada, and the Caribbean Basin. Our marine segment services include marine transportation facility construction, marine pipeline construction, marine environmental structures, dredging of waterways, channels and ports, environmental dredging, design, and specialty services. Our concrete segment provides turnkey concrete construction services including pour and finish, dirt work, layout, forming, rebar, and mesh across the light commercial, structural and other associated business areas. We are headquartered in Houston, Texas with offices throughout our operating areas.

Orion Group Holdings, Inc. is a Delaware corporation. The common stock of Orion Group Holdings, Inc. is listed on the New York Stock Exchange under the symbol ORN. Unless the context otherwise requires, all references herein to “Orion”, the “Company”, the “Registrant”, “we”, “us” or “our” refer to Orion Group Holdings, Inc. and its consolidated subsidiaries and affiliates.

History and growth

Orion Group Holdings, Inc. was founded in 1994 as a marine construction project management business. Since then, we have expanded our reach both through organic growth and acquisitions. We have successfully acquired and fully integrated several companies into our operations, including the acquisition of T.A.S. Commercial Concrete Construction, LLC ("TAS") during 2015 and Tony Bagliore Concrete, Inc. ("TBC") during 2017. The TAS acquisition added another segment to our business, provided diversification of end market drivers and a diversified customer base. The TBC acquisition expanded the Company's current service offerings to an additional market within its concrete segment. These strategic acquisitions have also enhanced our operational capabilities, provided us with a larger geographic base, and added to our equipment fleet. Today we are focused on being the leading specialty construction company in the building, industrial, and infrastructure sectors and will continue to see growth opportunities through greenfield expansion, acquisitions, vertical integration, and diversification.

Our Business Strategy

We employ the following key business strategies:

- *Continue to add construction capabilities* - We seek to add capabilities that augment our core contracting and construction competencies, improve our gross margin opportunities, and compete more effectively for contracts that might not otherwise be available to us.
- *Expand into new markets and complementary service offerings and selectively pursue strategic acquisitions* - We seek to identify attractive new markets and strategic opportunities to expand our service offering through selective acquisitions, greenfield expansions or diversification.
- *Continue to capitalize on favorable long-term industry trends* - We seek to capitalize on infrastructure capital investments across the markets we serve including port and marine infrastructure, government funded projects, transportation, oil and gas facilities, recreational waterside industry infrastructure expansion and environmental restoration markets. We seek to capitalize on privately funded projects across the commercial concrete markets we serve including industrial, institutional, commercial real estate, and recreational developments.

- *Diversification* - To mitigate the risks inherent in the construction business as the result of general economic factors, we pursue projects in both the public and private sectors for a wide range of customers within each sector (from the federal government to small municipalities and from large corporations to small owners and developers and in diverse geographic markets).
- *Continue to reinvest in our core operations* - We pursue technically complex projects where our people, specialized services and equipment differentiate us from our competitors. We intend to continue to enhance the types, numbers or capabilities of our equipment so we can provide turnkey construction services to our customers. This means when we are called on for business, we have the right people, skills, and equipment readily available for multiple projects.
- *Continue to attract, retain and develop our employees* - We believe our employees are integral to the success of our project execution, and we continue to allocate resources to attract and retain talented managers, supervisors and field personnel.
- *Ownership of equipment* - We own a large fleet of well-maintained construction equipment. The ownership of this equipment enables us to compete more effectively by ensuring availability of equipment at a favorable cost.

Our operating principles and guiding beliefs include:

- *Safety* - We believe accident prevention is a moral obligation as well as a good business practice. By identifying and concentrating resources to address jobsite hazards, we continually strive to reduce our incident rates and the costs associated with accidents.
- *Quality and Integrity* - We believe in the importance of performing high quality work. Additionally, we believe in maintaining high ethical standards through an established code of conduct and an effective company-wide compliance program.
- *Production* - We believe in the importance of performing tasks safely, efficiently and timely. Additionally, we believe in safeguarding our facilities and equipment and always acting in the best interest of the Company.
- *Sustainability* - Our focus on sustainability encompasses many aspects of how we conduct ourselves and practice our core values. We believe sustainability is important to our customers, employees, shareholders, and communities, and is also a long-term business driver. By focusing on specific initiatives that address social, environmental and economic challenges, we can minimize risk and increase our competitive advantage.

Financial Information About Segments

The tools used by our chief operating decision maker to allocate resources and assess performance are based on two reportable and operating segments: marine and concrete.

Although we describe our business in this report in terms of the services we provide, our base of customers and the areas in which we operate, we have determined that our operations currently comprise two reportable segments pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 280 - *Segment Reporting*. In previous reporting periods, we reported our financial information based on one reportable segment, now known as the marine segment. With our 2015 acquisition, we have expanded to two operating and reportable segments, adding the concrete segment.

In making this determination, we considered the similar economic characteristics of our operations. For our marine segment, the methods used, and the internal processes employed, to deliver our marine services are similar throughout the segment, including standardized estimating, project controls and project management. This segment has the same types of customers with similar funding drivers, and it complies with regulatory environments driven through Federal agencies such as the U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, U.S. Environmental Protection Agency ("EPA") and the U.S. Occupational Safety and Health Administration ("OSHA"), among others. Additionally, the segment is driven by macro-economic considerations including the level of import/export seaborne transportation, development of energy related infrastructure, cruise line expansion and operations, marine bridge infrastructure development, waterway pipeline crossings and the maintenance of waterways. These considerations, and others, are key catalysts for future prospects and are similar across the segment.

For our concrete segment, we also considered the similar economic characteristics of these operations. The methods used, and the internal processes employed, to deliver our concrete services are similar throughout the segment, including standardized estimating, project controls and project management. This segment complies with regulatory environments such as OSHA. Additionally, this segment is driven by macro-economic considerations, including movements in population, commercial real estate development, institutional funding and expansion, and recreational developments, specifically in metropolitan areas of Texas. These considerations, and others, are key catalysts for future prospects and are similar across the segment.

Please refer to Item 7 of this Annual Report on Form 10-K for a more detailed discussion of our segments.

Services Provided

Marine Construction Services

Marine construction services include construction, restoration, dredging, maintenance and repair of marine transportation facilities, marine pipelines, bridges and causeways, and marine environmental structures. We have the capability of providing design-build services and typically serve as the prime contractor for these types of projects.

Marine transportation facility projects include public port facilities for container ship loading and unloading; cruise ship port facilities; private terminals; special-use Navy terminals; recreational use marinas and docks; and other marine-based facilities. These projects typically consist of steel or concrete fabrication dock or mooring structures designed for durability and longevity, and involve driving piles of concrete, pipe or sheet pile to provide a foundation for the port facility structure that we subsequently construct on the piles. We also provide on-going maintenance and repair, inspection services, emergency repair, and demolition and salvage to such facilities.

Our marine pipeline service projects generally include the installation and removal of underwater buried pipeline transmission lines; installation of pipeline intakes and outfalls for industrial facilities; construction of pipeline outfalls for wastewater and industrial discharges; river crossing and directional drilling; creation of hot taps and tie-ins; and inspection, maintenance and repair services.

Our bridge and causeway projects include the construction, repair and maintenance of all types of overwater bridges and causeways, as well as the development of fendering systems in marine environments. We serve as the prime contractor for many of these projects, and some of these are design-build contracts. These projects involve fabricating steel or concrete structures designed for durability and longevity, and involve driving concrete, pipe or sheet pile to create support for the concrete deck roadways that we subsequently construct on the piles. These piles can exceed four feet in diameter, can range up to 170 feet in overall length, and are often driven 90 feet into the sea floor.

Marine environmental structure projects may include the installation of concrete mattresses to promote erosion protection; construction of levees to contain environmental mitigation projects, and the installation of geotubes for wetlands and island creation. Such structures are used for erosion control, wetlands creation and environmental remediation.

Dredging generally enhances or preserves the navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Dredging involves the removal of mud and silt from the channel floor by means of a mechanical backhoe, crane and bucket or cutter suction dredge and pipeline systems. Dredging is integral to marine capital and maintenance projects, including: maintenance for previously deepened waterways and harbors to remove silt, sand and other accumulated sediments; construction of breakwaters, jetties, canals and other marine structures; deepening ship channels and wharves to accommodate larger and deeper draft ships; containing erosion of wetlands and coastal marshes; land reclamation; and beach nourishment and creation of wildlife refuges. Maintenance dredging projects are a source of recurring revenue as active channels typically require routine dredging due to natural sedimentation. The frequency of maintenance dredging may be accelerated by heavy rainfall or major weather events such as hurricanes. Areas where no natural deep water ports exist, such as the Texas Gulf Coast, require substantial dredging. We maintain multiple specialty dredges of various sizes and specifications to meet customer needs. Our dredging services are typically combined with our marine construction services to provide a turn-key solution for our customers.

Our specialty services include design, salvage, demolition, surveying, towing, diving and underwater inspection, excavation and repair. Our diving services are largely performed in shallow water and include inspections, salvage and pile restoration and encapsulation. Our survey services include surveying pipelines and performing hydrographic surveys which determine the configuration of the floors of bodies of water and detect and identify wrecks and other obstructions. Most of these specialty services support our other services or provide an introductory opportunity to other customers.

Concrete Construction Services

The concrete segment provides its services in the following areas: light commercial, structural, and other services. Light commercial services include horizontally poured concrete for products such as sidewalks, ramps, tilt walls, and trenches. Structural services include elevated concrete pouring for products such as columns, elevated beams, and structural walls. Other services comprise labor related to concrete pouring, such as rebar installation and pumping services and typically support our other services. These services cover all phases of concrete construction including dirt work and layout, forming, rebar and mesh, and pour and finish.

Industry and Market Overview

Marine Segment

We provide our services to similar customers, or in some cases, the same customers, across the markets served by our business. Our marine segment customers may be in diverse end markets, including port expansion and maintenance, bridges, causeways and other marine infrastructure, the recreational waterside industry, the U.S. Department of Defense, the energy industry, coastal protection and reclamation, along with hurricane restoration and repair and environmental remediation. We believe that this broad customer base enables us to lessen the negative effects during a downturn in a specific end market and respond quickly to the needs of expanding end markets. The following includes an overview of our diverse markets in the marine construction industry:

Port Expansion and Maintenance

Expected increases in cargo volume and future demands from larger ships transiting the expanded Panama Canal will require ports, especially along the Gulf Coast and Atlantic Seaboard, to expand their dock capacity and port infrastructure to accommodate larger container ships and increased cargo volumes, as well as perform additional dredging services to deepen and maintain their channels. We provide customers in this sector turnkey services to meet all their port expansion and maintenance work.

Bridges and Causeways

According to the American Society of Civil Engineers, as of their most recent report, one in nine of the nation's bridges are structurally deficient, and the average age of the nation's bridges is 43 years old. We are able to construct or restore overwater bridges, and design, repair, or replace, fendering systems for customers.

Marine Infrastructure

The U.S. Marine Transportation System ("MTS") consists of waterways, ports and their intermodal connections, vessels, vehicles, and system users, as well as shipyards and repair facilities crucial to maritime activity. The MTS is primarily owned and operated through an aggregation of federal, state, and local governmental authorities, as well as privately owned facilities and private companies. U.S. inland and intracoastal waterways require continuous maintenance and improvement. While waterway usage is increasing, the facilities and supporting systems are aging. In addition, channels and waterways must maintain certain depths to accommodate ship and barge traffic. Natural sedimentation in these channels and waterways require routine maintenance dredging to maintain navigability.

Our full business complement, including design, dredging, marine construction, and specialty services, such as diving, survey and inspections are fully utilized by our customers to meet all their marine infrastructure project needs.

Recreational Waterside Industry

An increase in the number and size of cruise ships has generated a need for substantial port infrastructure development, including planning and construction of new terminals and facilities, as well as on-going maintenance and repair services. These larger vessels require development of new mooring structures as well as additional dredging services to accommodate deeper drafts. Our service area includes, among others, the ports of Miami, Galveston, Tampa, New Orleans, Canaveral, Juneau, Tacoma, Seattle and the Caribbean Basin, which includes numerous cruise facilities and is the most popular cruise destination in the North American market.

The Department of Defense and Homeland Security

The U.S. Navy has the responsibility for the maintenance of 40 facilities in the United States, which includes a significant amount of marine infrastructure. We believe the U.S. Navy will continue to maintain strategic facilities, including required maintenance and upgrades to its marine facility infrastructure.

The U.S. Coast Guard maintains more than 50,000 federal aids to navigation, which include buoys, lighthouses, day beacons and radio-navigation signals. Additionally, it has oversight responsibility for over 18,000 highway and railroad bridges that span navigable waterways throughout the country. As part of the Department of Homeland Security, we anticipate that the U.S. Coast Guard's needs for varied marine construction services, including those listed above, will provide opportunities for us in the future.

Energy Industry

We design, construct, repair and remove underwater pipelines, and provide marine construction, dredging and on-going maintenance services for private refineries, terminal facilities and docks, and other critical areas near shore oil and gas infrastructure.

U.S. Coastal and Wetland Restoration and Reclamation
We believe that increases in coastal population density and demographic trends will lead to an increase in the number of coastal restoration and reclamation projects, and, as the value of waterside assets rises from a residential and recreational standpoint, the private sector, government agencies and municipalities will increase spending on restoration and reclamation projects.

Hurricane Restoration and Repair
Hurricanes are often very destructive to the existing marine infrastructure and natural protection barriers of the prime storm areas of the Gulf Coast, the Atlantic Seaboard, and the Caribbean Basin, including bridges, ports, underwater channels and sensitive coastal areas. Typically, restoration and repair opportunities continue for several years after a major hurricane event. These events provide incremental projects to our industry that contribute to a favorable bidding environment and high capacity utilization in our markets during such times.

Environmental Remediation
We believe there will be additional funding for the protection of natural habitats, environmental preservation, wetlands creation and remediation for high priority projects in Louisiana and other areas in the markets we serve that will protect and restore sensitive marine and coastal areas, advance ocean science and research, and ensure sustainable use of ocean resources.

Concrete Segment
We provide our services to different customers across the markets served by our business. Our customers in the concrete segment are in diverse end markets such as industrial, institutional, commercial real estate, and recreational developments.

Our concrete segment depends on continued growth in population to support residential and nonresidential construction specifically in the metropolitan areas of Texas. The latest estimates from the U.S. Census Bureau indicate that the metropolitan areas of Texas, specifically Dallas, Houston, San Antonio and Austin, are among the U.S. top 10 in population growth based on the most recent survey results. These markets show substantial growth in multi-family housing, medical facilities, and commercial, office, retail, and industrial buildings.

We believe that this broad customer base enables us to lessen the negative effects during a downturn in a specific end market and respond quickly to the needs of expanding end markets. The following includes an overview of our diverse markets in the concrete industry:

Industrial developments
Our industrial markets include manufacturing plants, industrial warehousing, distribution centers, waste water treatment facilities and facilities supporting the petrochemical industry. An expected increase in distribution has generated a need for substantial industrial park developments.

Institutional developments and expansions
Our institutional markets include educational facilities, medical facilities, museums, and religious developments. Due to significant population growth in the metropolitan areas of Texas, there has been great demand for institutional development and expansion. As the suburban areas of major cities continue to grow, bond programs are passing for new education construction. Additionally, as population and suburban areas grow, so does the continued need for medical and educational facilities.

Structural developments
Our structural markets include mid- and high-rise multi-family living, single and multi-story office buildings, parking garages, shopping malls, and free standing retail outlets. As population continues to grow, so does the need for retail developments, such as grocery stores, shopping malls, restaurants, and other entertainment venues. Additionally, continued growth in business expansions and relocations to Texas are driving an increase in the need for office space and apartment complexes.

Recreational developments
Our recreational markets include a wide-range of hotels, sports venues, and stadiums. The increase in new businesses and new educational facilities has sparked the need for additional hotels and stadiums across the metropolitan areas of Texas.

Customers

Our customers in the marine segment include federal, state and local governmental agencies as well as private commercial and industrial enterprises in the United States and the Caribbean Basin. Customers in our concrete segment include owners and developers of medical facilities, religious developments, sports complexes and stadiums, school districts and developers, owners of industrial, commercial and residential buildings, and some governmental agencies across the metropolitan areas of Texas. Most projects are competitively bid, with the award typically going to the lowest qualified bidder. Our customer base shifts from time to time depending on the types of projects we bid, and ultimately are successful on obtaining.

The following table represents concentrations of contract revenue by type of customer for the years ended December 31, 2017, 2016, and 2015.

	2017	%	2016	%	2015	%
Federal Government	$ 63,823	11%	$ 40,361	7%	$ 45,439	10%
State Governments	42,613	7%	37,700	7%	42,026	9%
Local Governments	91,592	16%	94,461	16%	130,187	28%
Private Companies	380,525	66%	405,714	70%	248,846	53%
Total contract revenues	$ 578,553	100%	$ 578,236	100%	$ 466,498	100%

We do not believe that the loss of any one of these customers would have a material adverse effect on our operations since no single customer sustains a large portion of our contract revenue over time.

Backlog

Our contract backlog represents our estimate of the revenues we expect to realize under the portion of the contracts remaining to be performed. Given the typical duration of our contracts, which generally is less than one year, our backlog at any point in time usually represents only a portion of the revenue that we expect to realize during a twelve month period. We include projects in our backlog only when the customer has provided an executed contract, purchase order, change order, or other notice to proceed.

Backlog for our marine segment at December 31, 2017, was $177.0 million, as compared with $280.7 million at December 31, 2016.

Backlog for our concrete segment at December 31, 2017 was $183.6 million, as compared with $153.3 million at December 31, 2016.

These estimates are subject to fluctuations based upon the scope of services to be provided, as well as factors affecting the time required to complete the project. In addition, many projects that make up our backlog may be canceled at any time without penalty; however, we can generally recover actual committed costs and profit on work performed up to the date of cancellation. Although we have not been adversely affected by contract cancellations or modifications materially in the past, we may be so affected in the future, especially during economically uncertain periods. Consequently, backlog is not necessarily indicative of future results. In addition to our backlog under contract, we also have a substantial number of projects in negotiation or pending award at any given time.

Fluctuations in Quarterly Results

Our quarterly revenues and results of operations may fluctuate significantly depending upon the mix, size, scope, and progress schedules of our projects under contract, permitting, weather or other delays, the productivity of our labor force and the utilization of our equipment. These factors, as well as others, affect the rate at which revenue is recognized as projects are completed.

Competition

In our marine segment, we compete with several regional marine construction services companies and a few national marine construction services companies. From time to time, we compete with certain national land-based heavy civil contractors. In our concrete segment, we compete mostly in the private sector and our competitors range from small, local construction companies to large regional and national construction companies.

Both of our segments are highly fragmented with competitors generally varying within the markets we serve and with few competitors competing in all of the markets we serve or for all of the services that we provide. We believe that our turnkey capability, expertise, experience and reputation for providing safe and timely quality services, safety record and programs, versatile equipment fleet, financial strength, surety bonding capacity, knowledge of local markets and conditions, and project management and estimating abilities allow us to compete effectively. We believe significant barriers to entry exist in the markets in which we

operate, including the ability to bond large projects, maritime law constraints, specialized marine equipment and technical experience; however, a U.S. company that has adequate financial resources, access to technical expertise, and specialized equipment may become a competitor.

Insurance and Bonding

We maintain general and excess liability, construction equipment and workers' compensation insurance; all in amounts adequate for our operating needs and consistent with industry practice.

In connection with both segments of the business, we generally are required to provide various types of surety bonds that provide security for our performance under certain public and private sector contracts. Our ability to obtain surety bonds depends upon our capitalization, adequate working capital, past performance, management expertise, and external factors, including the capacity of the overall surety market. Surety companies consider such factors in light of the amount of our backlog that we have currently bonded and their own current underwriting standards, which may change from time to time. The capacity of the surety market is subject to market-driven fluctuations driven primarily by the level of surety industry losses and the degree of surety market consolidation. Although we do not believe that fluctuations in surety market capacity have significantly affected our ability to grow our business, there is no assurance that it will not significantly affect our ability to obtain new contracts in the future. The bonds we provide typically are for the contract amount of the project. At December 31, 2017, our capacity under our current bonding arrangement was $500 million, with approximately $181 million of remaining availability. We believe our strong balance sheet and working capital position will allow us to continue to access our bonding capacity.

Trade Names

We operate under a number of trade names. We consolidate our operations under the brand name "Orion Group Holdings, Inc." We may be known as Orion Marine Group, Orion Marine Construction, Orion Marine Contractors, Orion Construction, East and West Jones Placement Area, Schneider E&C, Orion Industrial Construction, Orion Concrete Construction, T.A.S. Commercial Concrete Construction, LLC, T.A.S. Commercial Concrete Solutions, LLC, T.A.S. Proco, LLC, or Houston Industrial Tool Services, as well as our former names of King Fisher Marine Service, F. Miller Construction, T. W. LaQuay Dredging, Misener Marine Construction, Misener Diving & Salvage, Northwest Marine Construction and West Construction. We do not generally register our trademarks with the U.S. Patent & Trademark Office, but instead rely on state and common law protections. While we consider our trade names to be valuable assets, we do not consider any single trademark or trade name to be of such material importance that its absence would cause a material disruption of our business.

Equipment

We operate and maintain a large and diverse equipment fleet in our marine and concrete segments, substantially all of which we own, that includes the following:

- *Barges* - spud barges, material barges, deck barges, anchor barges, hopper barges, and fuel barges. These vessels are used to provide work platforms for cranes and other equipment, to transport materials to the project site and to provide support for the project at the project site.

- *Dayboats* - small pushboats, dredge tenders and skiffs are used to shift barges at the project site, to move personnel and to provide general support to the project site.

- *Tugs* - larger pushboats and tug boats are used to transport barges and other support equipment to and from the project site.

- *Dredges* - 24" cutter head suction dredges (diesel), 20" cutter head suction dredge (diesel/electric), 20" cutter head suction dredges (diesel), 16" cutter head suction dredges, and 12" portable cutter head suction dredges are used to provide dredging services at project sites.

- *Cranes* - crawler lattice boom cranes with lift capability from 50 tons to 400 tons and hydraulic rough terrain cranes with lift capability from 15 tons to 60 tons are used to provide lifting and pile driving capabilities on project sites, and to provide bucket work, including mechanical dredging and dragline work, to project sites.

- *Tower Cranes* - Capable of being assembled to reach heights of 281 feet and have a capacity of 44,000 pounds with a maximum of 242 foot working radius.

- *Pump Trucks* - concrete pump trucks are large, diesel-powered trucks mounted with a powerful pump, and an extendable, sectioned hose or cylinder to help facilitate the placement of concrete for construction projects.

- *Laser Screeds* - laser screeds are self-propelled four wheel drive, four wheel steer units that encompass a 20' telescoping boom with a 12' wide placement head. The screed head itself consists of 3 parts: the plow, the auger, and the vibrator. The plow disperses the concrete evenly, the auger removes the excess material to finished grade, and the vibrator smooths the surface. The screed has an on board computer system able to determine the correct elevation height and provide commands for elevation control.

We believe that ownership of certain equipment is generally preferable to leasing or rental in some cases because it ensures the equipment is available as needed and normally results in lower costs. We continually monitor and adjust our fleet size so that it is consistent with the size of the business, considering both existing backlog and expected future work. We believe that our equipment is well maintained and suitable for our current operations. We have the ability to extend the useful life of our equipment through capital refurbishment at periodic intervals. Most of our fleet is serviced by our own mechanics who work at various maintenance sites and facilities. We are also capable of building, and have built, much of our highly specialized equipment. Our strategy is to move our fleet from project to project as required. The assets (including equipment) are pledged as collateral under the Credit Facility.

Equipment Certification

In our marine segment, some of our equipment requires certification by the U.S. Coast Guard. All equipment which requires certification has obtained such certification and is maintained in good standing thereunder. In addition, where required, our vessels' permissible loading capacities require certification by the American Bureau of Shipping ("ABS"). The ABS is an independent classification society which certifies that certain of our larger, seagoing vessels are "in-class," signifying that the vessels have been built and maintained in accordance with ABS standards and applicable U.S. Coast Guard rules and regulations. All of our vessels that are required to be certified by the ABS have been certified as "in-class." These certifications indicate that the vessels are structurally capable of operating in open waters, which enhances the mobility of our fleet.

Government Regulations

We are required to comply with the macro regulatory requirements of federal, state and local governmental agencies and authorities including the following:

- regulations concerning workplace safety, labor relations and disadvantaged businesses;
- licensing requirements applicable to shipping and dredging; and
- permitting and inspection requirements applicable to marine construction projects.

In our marine segment, we are also subject to government regulations pursuant to the Dredging Act, the Merchant Marine Act of 1920, commonly referred to as the "Jones Act", the Shipping Act and the Vessel Documentation Act. These statutes require vessels engaged in the transport of merchandise or passengers between two points in the United States or dredging in the navigable waters of the U.S. to be documented with a coastwise endorsement, to be owned and controlled by U.S. citizens, to be manned by U.S. crews, and to be built in the U.S. The U.S. citizenship ownership and control standards require the vessel-owning entity to be at least 75% U.S. citizen owned, and prohibit the demise or bareboat chartering of the vessel to any entity that does not meet the 75% U.S. citizen ownership test. These statutes, together with similar requirements for other sectors of the maritime industry, are collectively referred to as "cabotage" laws.

In both our marine and concrete segments, we are subject to the requirements of OSHA and certain regulations for the EPA.

We believe that we are in material compliance with applicable regulatory requirements and have all material licenses required to conduct our operations.

Environmental Matters

General

Our marine infrastructure construction, salvage, demolition, dredging and dredge material disposal activities are subject to stringent and complex federal, state, and local laws and regulations governing environmental protection, including air emissions, water quality, solid waste management, marine and bird species and their habitats, and wetlands. A portion of our construction contracts are entered into with public authorities and frequently impose additional governmental requirements, including requirements regarding labor relations.

Such laws and regulations may require that both segments and their customers obtain, and comply with, various environmental permits, registrations, licenses and other approvals. These laws and regulations also can restrict or impact the business activities in many ways, such as delaying the appropriation and performance of particular projects; restricting the way we handle or dispose of wastes; requiring remedial action to mitigate pollution conditions that may be caused by our operations or that are attributable

to others; and enjoining some or all of our operations deemed in non-compliance with environmental laws and regulations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and/or criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining future operations.

We believe that compliance with existing federal, state and local environmental laws and regulations will not have a material adverse effect on our business, results of operations, or financial condition. In addition, we could be affected by future laws or regulations. As a result, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. The following is a discussion of the environmental laws and regulations that could have a material effect on our marine and concrete construction services.

Waste Management

Our operations could be subject to the federal Resource Conservation and Recovery Act ("RCRA") and comparable state laws, which impose detailed requirements for the handling, storage, treatment and disposal of hazardous and non-hazardous solid wastes. Under the auspices of the EPA, the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent, requirements. Generators of hazardous wastes must comply with certain standards for the accumulation and storage of hazardous wastes, as well as recordkeeping and reporting requirements applicable to hazardous waste storage and disposal activities.

Site Remediation

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund," and comparable state laws and regulations impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances into the environment. Such classes of persons include the current and past owners or operators of sites where a hazardous substance was released, and companies that disposed or arranged for the disposal of hazardous substances at offsite locations, such as landfills. CERCLA authorizes the EPA, and in some cases third parties, to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In addition, neighboring landowners and other third parties often file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

We currently own or lease properties that have been used by other industries for a number of years. Although we typically have used operating and disposal practices that were standard in the industry at the time, wastes may have been disposed of or released on or under the properties owned or leased by us, on or under other locations where such substances have been taken for disposal, or on or under project sites where we perform work. In addition, some of the properties may have been operated by third parties or by previous owners whose treatment and disposal or release of wastes was not under our control. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove or remediate previously disposed wastes or property contamination, or to perform remedial activities to prevent future contamination.

Water Discharges

The Federal Water Pollution Control Act, also known as the Clean Water Act ("CWA"), and analogous state laws impose strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States, including wetlands. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA also regulates the discharge of dredged or fill material into waters of the U.S., and activities that result in such discharge generally require permits issued by the Corps of Engineers. Moreover, above ground storage of petroleum products is strictly regulated under the CWA. Under the CWA, federal and state regulatory agencies may impose administrative, civil and/or criminal penalties for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

The Oil Pollution Act of 1990 ("OPA"), which amends and augments the CWA, establishes strict liability for owners and operators of facilities that are sites of releases of oil into waters of the U.S. OPA and its associated regulations impose a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills. For instance, OPA requires vessel owners and operators to establish and maintain evidence of financial responsibility sufficient to cover liabilities related to an oil spill for which such parties are statutorily responsible. We believe we are in compliance with all applicable OPA financial responsibility obligations and equipment requirements.

In 2009, regulations promulgated by the EPA covering certain previously exempt discharges to water from certain marine vessels became effective. The regulations provide for a general permit to cover such discharges and impose on marine vessel operators, including us, certain discharge, permitting, record keeping, reporting, monitoring, maintenance, and operating restrictions and requirements with respect to materials that are or may be discharged from certain vessels. Applicability of these restrictions and requirements is based on size and type of vessel, and they apply only to a minority of our vessels. We, nevertheless, are implementing such restrictions and requirements with respect to our vessels which are subject thereto, and we do not anticipate that such regulations or the associated permit terms, restrictions and requirements will adversely impact our business and results of operations.

Air Emissions

The Clean Air Act ("CAA") and comparable state laws restrict the emission of air pollutants from many sources, including paint booths, and may require pre-approval for the construction or modification of certain facilities expected to produce air emissions, impose stringent air permit requirements, or require the utilization of specific equipment or technologies to control emissions. We believe that our operations are in substantial compliance with the CAA.

Climate Change

The U.S. Congress may consider legislation to reduce emissions of greenhouse gases in response to climate change concerns. In addition, several states have declined to wait on Congress to develop and implement climate control legislation and have already taken legal measures to reduce emissions of greenhouse gases. Passage of climate control legislation or other regulatory initiatives by Congress or various states, or the adoption of regulations by the EPA and analogous state agencies that restrict emissions of greenhouse gases in areas in which we conduct business could have an adverse effect on our operations and demand for our services.

Endangered Species

The Endangered Species Act ("ESA") restricts activities that may affect endangered species or their habitats. We conduct activities in or near areas that may be designated as habitat for endangered or threatened species. For instance, seasonal observation of endangered or threatened West Indian Manatees adjacent to work areas may impact construction operations in Florida during the winter months. Additionally, our dredging operations in Florida are impacted by limitations for placement of dredge spoil materials on designated spoil disposal islands, from April through August of each year, when the islands are inhabited by nesting colonies of protected bird species. Further, restrictions on work during the Whooping Crane nesting period in the Aransas Pass National Wildlife Refuge from October 1 through April 15 each year and during the non-dormant grass season for sea grass in the Laguna Madre from March 1 through November 30 each year impact our construction operations in the Texas Gulf Coast area. We plan our operations and bidding activity with these restrictions and limitations in mind, and they have not materially hindered our business in the past. However, these and other restrictions may affect our ability to obtain work or to complete our projects on time in the future. In addition, while we believe that we are in material compliance with the ESA, the discovery of previously unidentified endangered species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected area.

Employees

At December 31, 2017, our marine segment had 909 employees, 262 of whom were full-time salaried personnel and most of the remainder of whom were hourly personnel. Our concrete segment had 1,716 employees, 322 of whom were full-time salaried personnel and most of the remainder of whom were hourly personnel.

From time to time, we hire additional employees for certain large projects and, subject to local market conditions, additional crew members are generally available for hire on relatively short notice. We believe our employees are our most valuable resource, and our workforce possesses a strong dedication to and pride in our company. Our employees are not currently represented by labor unions, except certain employees in our marine segment located in the Pacific Northwest and Alaska, in respect of which collective bargaining agreements are in place. Employees represented by collective bargaining agreements in our marine segment represent approximately 3% of our total workforce. Currently, there are no employees represented by collective bargaining agreements in our concrete segment.

Financial Information About Geographic Areas

We are a project-driven marine and concrete contractor, and our operations represent two reportable segments for financial reporting. Our business is primarily conducted along the coastal regions of the United States for our marine segment and in the metropolitan areas of Texas for our concrete segment. Revenues generated from our marine segment outside the United States, primarily in the Caribbean Basin and Mexico, totaled 1.6%, 1.3%, and 4.1% of total revenues for the years ended December 31, 2017, 2016 and 2015, respectively. Our long-lived assets are substantially located in the United States.

Access to the Company's Filings

We maintain a website at www.oriongroupholdingsinc.com on which we make available, free of charge, access to the various reports we file with, or furnish to, the SEC. The website is made available for information purposes only. It should not be relied upon for investment purposes, and none of the information on our website is incorporated into this Annual Report on Form 10-K by reference. In addition, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. RISK FACTORS

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our business, financial condition, and results of operations. The risks described below highlight some of the factors that have affected and could affect us in the future. We may also be affected by unknown risks or risks that we currently think are immaterial. If any such events actually occur, our business, financial condition, and results of operations could be materially adversely affected.

Risk Factors Relating to Our Business

We rely on highly competitive and highly regulated government contracts.

Government funding for public works projects is limited, thus creating a highly competitive environment for the limited number of public projects available. Reduced levels of, or delays in, government funding cause delays in project lettings and result in intense competition and pricing pressure for such projects. In addition, government contracts are subject to specific procurement regulations, contract provisions and a variety of regulatory requirements relating to their formation, administration, performance and accounting. Many of these contracts include express or implied certifications of compliance with applicable laws and contract provisions. As a result, any violations of these regulations could bring about litigation, including the possibility of qui tam ("Whistle Blower") litigation brought by private individuals on behalf of the government under the Federal Civil False Claims Act, and could cause termination of other existing government contracts and result in the loss of future government contracts. Due to the significant competition in the marketplace and the level of regulations on government contracts, we could suffer reductions in new projects and see lower revenues and profit margins on those projects, which could have a material adverse effect on the business, operating results and financial condition.

We depend on continued growth in population to support residential and nonresidential construction for our concrete construction segment.

Our concrete segment depends on continued growth in population to support residential and nonresidential construction. A growing population generates economic growth and expansion in construction for retail, office buildings, etc. If the population decreases or slows in growth, it often times adversely affects economic growth, which ultimately limits the need for residential and nonresidential construction services in the areas we currently perform services.

The timing of new contracts may result in volatility in our cash flow and profitability. These factors as well as others that may cause our actual financial results to vary from any publicly disclosed earnings guidance and forecasts are outside of our control.

Our revenues are generated from project-based work. It is generally very difficult to predict the timing and source of awarded contracts. The selection of, timing of, or failure to obtain projects, delays in awards of projects, the rebidding or termination of projects due to budget overruns, or the cancellations of projects or delays in completion of contracts could result in the under-utilization of our assets and reduce our cash flows and profitability. Even if we are awarded contracts, we face additional risks that could affect whether, or when, work will begin. For example, some of our contracts are subject to financing and other contingencies that may delay or result in termination of projects. This may make it difficult to match workforce size and equipment location with contract needs. In some cases, we may be required to bear the cost of a readily available workforce and fleet of equipment that is larger than needed at the time, resulting in unpredictability in our cash flow, expenses and profitability. If an expected contract award or the related notice to proceed is delayed or not received, we could incur substantial costs without receipt of any corresponding revenues. Delays by our customers in obtaining required approvals and permits for their infrastructure projects may delay their awarding contracts for those projects and, once awarded, the ability to commence construction under those contracts. Moreover, construction projects for which our services are contracted may require significant expenditures by us prior to receipt of relevant payments by a customer and may expose us to potential credit risk if such customer should encounter financial difficulties. Such expenditures could reduce our cash flows and necessitate increased borrowings under our credit facility. Finally, the winding down or completion of work on significant projects that were active in previous periods will reduce our

revenue and earnings if such significant projects have not been replaced in the current period. From time to time we may publicly provide earnings or other forms of guidance, which reflect our predictions about future revenue, operating costs and capital structure, among other factors. Any such predictions may be impacted by these factors as well as others that are beyond our control and might not turn out to be accurate.

Fluctuations in commodity prices may affect our customers' investment decisions and therefore subject us to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards. Additionally, fluctuations in commodity prices can negatively affect our project costs.

Commodity prices can affect our customers in a number of ways. For example, for those customers that produce commodity products such as oil, gas, concrete, steel products, fluctuations in price can have a direct effect on their profitability and cash flow and, therefore, their willingness to continue to invest or make new capital investments. To the extent commodity prices decline or fluctuate and our customers defer new investments or cancel or delay existing projects, the demand for our services decreases, which may have a material adverse impact on the business, financial condition, and results of operations.

Commodity prices can also strongly affect the costs of projects. We use concrete and steel as well as diesel fuel and other petroleum-based products to operate our equipment used in our construction contracts. Fluctuations in supplies relative to demand and other factors can cause unanticipated increases in their cost. Rising commodity prices can negatively impact the potential returns on projects that are planned, as well as those in progress, and result in customers deferring new investments or canceling or delaying existing projects. The short-term nature of the majority of our projects typically protects us from these potential price increases, however, if we are unable to procure commodities for completion of our projects at estimated prices due to rising commodity prices, our margins may erode on certain in progress or future projects.

We may be unable to obtain sufficient bonding capacity for our contracts and the need for performance and surety bonds may adversely affect our business.

As more fully described in "Insurance and Bonding" under "Item 1. Business," we are generally required to post bonds in connection with government and certain private sector contracts to ensure job completion. We have entered into a bonding agreement with a large multinational surety which acts as surety, issues bid bonds, performance bonds and payment bonds, and obligates itself upon other contracts of guaranty required by us in the day-to-day operations of our business. However, our surety is not obligated under the bonding agreement to issue bonds for us and bonding decisions are made on a case-by-case basis. We may not be able to maintain a sufficient level of bonding capacity in the future, which could preclude us from being able to bid for certain contracts and successfully contract with certain customers, or cause us to have to increase our letter of credit utilization in lieu of bonds, thereby reducing available borrowing capacity under our credit facility. In addition, the conditions of the bonding market may change, increasing our costs of bonding or restricting our ability to get new bonding which could have a material adverse effect on our business, operating results and financial condition.

Our business depends on good customer relationships and our reputation in both the marine and concrete infrastructure markets, which is developed and maintained by our executives and key project managers. Loss of any of our relationships, reputation or executives or key project managers could materially reduce our revenues and profits.

Our contracts are typically entered into on a project-by-project basis, so we generally do not have continuing contractual commitments with our customers beyond the terms of the current contract. We benefit from key customer relationships built over time and with both public and private entities. We also benefit from our reputation in the marine and concrete infrastructure markets developed over years of successfully performing on projects. Both of these aspects of our business were developed and are maintained through our executives and key project managers. Our inability to retain our executives and key project managers or inability to complete projects timely and successfully resulting in customer satisfaction could have a material adverse effect on our current customer relationships and reputation. The inability to maintain relationships with our customers in general or obtain new customers based on our reputation could have a material adverse effect on our business, operating results and financial condition.

We may not be able to fully realize the revenue value reported in our backlog.

As of December 31, 2017, we had a backlog of work to be completed on contracts totaling approximately $177.0 million in our marine segment and approximately $183.6 million in our concrete segment. Backlog develops as a result of new awards, which represent the potential revenue value realizable pursuant to new project commitments received by us during a given period.

Backlog consists of awarded projects which have either (a) not yet been started or (b) are in progress but are not yet complete. In the latter case, the revenue value reported in backlog is the remaining value related to work that has not yet been completed. We cannot guarantee that the revenue projected in our backlog will be realized, or if realized, will result in earnings. From time-to-time, projects are cancelled that appeared to have a high certainty of going forward at the time they were recorded as new awards. In the event of a project cancellation, we may be reimbursed for certain costs but typically have no contractual right to recover the total revenue reflected in our backlog. In addition to being unable to recover certain direct costs, cancelled projects may also result in additional unrecoverable costs due to the resulting under-utilization of our assets or labor force.

We could suffer contract losses if we fail to accurately estimate our costs or fail to execute within our cost estimates on fixed-price, lump-sum contracts.

Much of our revenue is derived from fixed-price, lump-sum contracts. Under these contracts, we perform our services and execute our projects at a fixed price and where, as a result, we could benefit from cost savings, but we may be unable to recover any cost overruns. Fixed-price contracts carry inherent risks, including risks of losses from underestimating costs, operational difficulties and other factors that may occur over the contract period. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, we may incur losses or the project may not be as profitable as we expected. In addition, we are sometimes required to incur costs in connection with modifications to a contract (change orders) that may not be approved by the customer as to scope and/or price, or to incur unanticipated costs, including costs for customer-caused delays, errors in specifications or designs, or contract suspension or termination that we may not be able to recover. These, in turn, could have a material adverse effect on our business, operating results and financial condition. The revenue, cost and gross profit realized on such contracts can vary, sometimes substantially, from the original projections due to changes in a variety of factors, such as:

- failure to properly estimate costs of engineering, design, material, equipment or labor;
- unanticipated technical problems with the structures or services being supplied by us, which may require that we spend our own funds to remedy the problem;
- project modifications creating unanticipated costs;
- differing site conditions;
- changes in the costs of equipment, materials, labor or subcontractors;
- our suppliers' or subcontractors' failure to perform;
- difficulties in our customers obtaining required governmental permits or approvals;
- changes in local laws and regulations;
- delays caused by local weather conditions; and
- exacerbation of any one or more of these factors as projects grow in size and complexity.

These risks increase if the project is of a long-term duration because of the elevated risk that the circumstances upon which we based our original bid will change in a manner that increases costs. In addition, we sometimes bear the risk of delays caused by unexpected conditions or events.

We could suffer penalties on our contracts for late completion.

In many instances, including in our fixed-price contracts, we guarantee that we will complete a project by a scheduled date. If we subsequently fail to complete the project as scheduled, without sufficient justification, we may be liable for any customer losses resulting from such delay, generally in the form of contractually agreed-upon liquidated damages. In addition, failure to maintain a required schedule could cause us to default on our government contracts, giving rise to a variety of potential damages. To the extent that these events occur, the total costs of the project could exceed our original estimates, and we could experience reduced profits or, in some cases, a loss for that project.

Our projects could be hindered due to our dependence on third parties to complete many of our contracts.

A portion of the work performed under our contracts is performed by third-party subcontractors we hire. We also rely on third-party equipment manufacturers or suppliers to provide much of the materials used for projects. If we are unable to hire qualified subcontractors or find qualified equipment manufacturers or suppliers, our ability to successfully complete a project could be impaired. If we are not able to locate qualified third-party subcontractors or the amount we are required to pay for subcontractors or equipment and supplies exceeds what we have estimated, especially in a lump-sum or a fixed-price contract, we may suffer losses on these contracts. If a subcontractor, supplier, or manufacturer fails to provide services, supplies or equipment as required under a contract for any reason, we may be required to source these services, equipment or supplies to other third parties on a delayed basis or on less favorable terms, which could impact contract profitability. There is a risk that we may have disputes with our subcontractors relating to, among other things, the quality and timeliness of work performed, customer concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a contract. In addition, faulty workmanship,

equipment or materials could impact the overall project, resulting in claims against us for failure to meet required project specifications.

In the current economic environment, third parties may find it difficult to obtain sufficient financing to help fund their operations. The inability to obtain financing could adversely affect a third party's ability to provide materials, equipment or services which could have a material adverse impact on our business, financial condition, and results of operations. In addition, a failure by a third party subcontractor, supplier or manufacturer to comply with applicable laws, regulations or client requirements could negatively impact our business and, for government clients, could result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our business, financial condition, and results of operations.

We may incur higher costs to acquire, manufacture and maintain equipment necessary for our operations.

We have traditionally owned the majority of the equipment used in our projects, and we do not bid on contracts for which we do not have, or cannot quickly procure, whether through construction, acquisition or lease, the necessary equipment to complete projects. We are capable of building much of the specialized equipment used in our projects, including dayboats, tenders and dredges. To the extent that we are unable to buy or build equipment necessary for our needs, either due to a lack of available funding or equipment shortages in the marketplace, we may be forced to rent equipment on a short-term basis, which could increase the costs of completing contracts, thereby reducing contract profitability. In addition, our equipment requires continuous maintenance, which we primarily provide through our own repair facilities, as well as certification by the U.S. Coast Guard for certain marine segment assets. If we are unable to continue to maintain the equipment in our fleet or are unable to obtain the requisite certifications, we may be forced to obtain third-party repair services, be unable to use our uncertified equipment or be unable to bid on contracts, which could have a material adverse effect on our business, operating results and financial condition.

In addition, our vessels in the marine segment may be subject to arrest or seizure by claimants as security for maritime torts committed by the vessel or us or the failure by us to pay for necessities, including fuel and repair services, which were furnished to the vessel. Such arrest or seizure could preclude the vessel from working, thereby causing delays in marine segment projects.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs.

Only a small percentage of our marine segment workforce, located in the Pacific Northwest and Alaska, is currently unionized. If at any time, a majority of our employees unionized, it could limit the flexibility of the workforce and could result in demands that might increase our operating expenses and adversely affect our profitability. Each of our different employee groups could unionize at any time and would require separate collective bargaining agreements. If any group of our employees were to unionize and we were unable to agree on the terms of their collective bargaining agreement or we were to experience widespread employee dissatisfaction, we could be subject to work slowdowns or stoppages. In addition, we may be subject to disruptions by organized labor groups protesting our non-union status. Any of these events would be disruptive to our operations and could have a material adverse effect on the business, operating results and financial condition.

Our business is subject to significant operating risks and hazards that could result in damage or destruction to property, which could result in losses or liabilities to us.

Construction and maintenance sites are potentially dangerous workplaces and often put our employees and others in close proximity with mechanized equipment, moving vehicles, etc. On most sites, we are responsible for safety and, accordingly, must implement safety procedures. Our safety record is an important consideration for us and for our customers. If serious accidents or fatalities occur or our safety record was to deteriorate, we may be ineligible to bid on certain work, expose ourselves to possible litigations, and existing service arrangements could be terminated, thus having a material adverse impact on our financial position, results of operations, cash flows and liquidity. Further, regulatory changes implemented by OSHA or the U.S. Coast Guard could impose additional costs on us. Adverse experience with hazards and claims could have a negative effect on our reputation with our existing or potential new customers and our prospects for future work.

The businesses of marine infrastructure construction, port maintenance, dredging and salvage are generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, hurricanes, adverse weather conditions, collisions with fixed objects, cave-ins, encountering unusual or unexpected geological formations, disruption of transportation services and flooding. These risks could result in damage to or destruction of, dredges, transportation vessels, other maritime structures and buildings, and could also result in personal injury or death, environmental damage, performance delays, monetary losses or legal liability.

In the concrete segment, our workers are subject to the usual hazards associated with providing construction and related services on construction sites including environmental hazards, industrial accidents, hurricanes, adverse weather conditions, and flooding. Operating hazards can cause personal injury or death, damage to or destruction of property, plant and equipment, environmental damage, performance delays, monetary losses or legal liability.

Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates, or at all.

We maintain various insurance policies, including general liability and workers' compensation. We are partially self-insured under some of our policies, and our insurance does not cover all types or amounts of liabilities. We are not required to, and do not, specifically set aside funds for our self-insurance programs.

At any given time, we are subject to multiple workers' compensation and personal injury claims. We maintain substantial loss accruals for workers' compensation claims, and, until recently, our workers' compensation and insurance costs have been rising for several years notwithstanding our emphasis on safety. Our insurance policies may not be adequate to protect us from liabilities that we incur in our business. In addition, some of the projects that we bid on require us to maintain high levels of builder's risk insurance. We may not be able to obtain similar levels of insurance on reasonable terms, or at all. Our inability to obtain such insurance coverage at acceptable rates or at all could have a material adverse effect on our business, operating results and financial condition.

Furthermore, due to a variety of factors such as increases in claims and projected significant increases in medical costs, our insurance premiums may increase in the future and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any such inadequacy of, or inability to obtain, insurance coverage at acceptable rates, or at all, could have a material adverse effect on our business, operating results and financial condition.

Insurance liabilities are difficult to assess and quantify due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. If we were to experience insurance claims or costs above our estimates, we might be required to use working capital to satisfy these costs rather than to maintain or expand our operations. To the extent that we experience a material increase in the frequency or severity of accidents or workers' compensation and health claims, or unfavorable developments on existing claims, our operating results and financial condition could be materially and adversely affected.

Our employees in the marine segment are covered by federal laws that provide seagoing employees remedies for job-related claims in addition to those provided by state laws.

Many of our marine segment employees are covered by federal maritime law, including provisions of the Jones Act, the Longshore and Harbor Workers Act, ("USL&H") and the Seaman's Wage Act. Jones Act laws typically operate to make liability limits established by USL&H and state workers' compensation laws inapplicable to these employees and to permit these employees and their representatives to pursue litigation against employers for job-related injuries. Because in some cases we are not protected by the limits imposed by state workers' compensation statutes, we have greater exposure for claims made by these employees as compared to employers whose employees are not covered by these provisions.

For example, in the normal course of business, we are a defendant in various personal injury lawsuits. We maintain insurance to cover claims that arise from injuries to our workforce subject to a deductible. During 2017, we recorded approximately $1.4 million of expense for our self-insured portion of these liabilities. We believe our recorded self-insurance reserves represent our best estimate of the outcomes of these claims. Should negative trends persist; we could continue to be negatively impacted in the future.

Our operations are subject to environmental laws and regulations that may expose us to significant costs and liabilities.

Our marine infrastructure construction, salvage, demolition, dredging and dredge material disposal activities are subject to stringent and complex federal, state and local environmental laws and regulations, including those concerning air emissions, water quality, solid waste management, and protection of certain marine and bird species, their habitats, and wetlands. We may incur substantial costs in order to conduct our operations in compliance with these laws and regulations. For instance, we may be required to obtain, maintain and comply with permits and other approvals (as well as those obtained for projects by our customers) issued by various federal, state and local governmental authorities; limit or prevent releases of materials from our operations in accordance with these permits and approvals; and install pollution control equipment. In addition, compliance with environmental laws and regulations can delay or prevent our performance of a particular project and increase related project costs. Moreover, new, stricter environmental laws, regulations or enforcement policies, including those imposed in response to climate change, could be

implemented that significantly increase our compliance costs, or require us to adopt more costly methods of operation.

Failure to comply with environmental laws and regulations, or the permits issued under them, may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of injunctions limiting or preventing some or all of our operations. In addition, strict joint and several liability may be imposed under certain environmental laws, which could cause us to become liable for the investigation or remediation of environmental contamination that resulted from the conduct of others or from our own actions that were in compliance with all applicable laws at the time those actions were taken. Further, it is possible that we may be exposed to liability due to releases of pollutants, or other environmental impacts that may arise in the course of our operations. For instance, some of the work we perform is in underground and water environments, and if the field location maps or waterway charts supplied to us are not accurate, or if objects are present in the soil or water that are not indicated on the field location maps or waterway charts, our underground and underwater work could strike objects in the soil or the waterway bottom containing pollutants and result in a rupture and discharge of pollutants. In addition, we sometimes perform directional drilling operations below certain environmentally sensitive terrains and water bodies, and due to the inconsistent nature of the terrain and water bodies, it is possible that such directional drilling may cause a surface fracture releasing subsurface materials. These releases may contain contaminants in excess of amounts permitted by law, may expose us to remediation costs and fines and legal actions by private parties seeking damages for non-compliance with environmental laws and regulations or for personal injury or property damage. We may not be able to recover some or any of these costs through insurance or increased revenues, which may have a material adverse effect on our business, operating results and financial condition. See “Business - Environmental Matters” for more information.

Our concrete segment is subject to extensive and complex regulations that affect land development and building construction, including zoning, density restrictions, building design and building standards. These regulations often provide broad discretion to the administering governmental authorities as to the conditions we must meet prior to development or construction being approved, if approved at all. We are subject to determinations by these authorities as to the adequacy of water or sewage facilities. New building developments may also be subject to various assessments for schools and other public improvements. In addition, in many markets government authorities have implemented no growth or growth control initiatives. Any of these can limit, delay or increase the costs of development and construction.

The anticipated investment in port and marine infrastructure may not be as large as expected, which may result in periods of low demand for our marine construction services.

The demand for port construction, maintenance infrastructure services and dredging may be vulnerable to downturns in the economy generally and in the marine transportation industry specifically. The amount of capital expenditures on port facilities and marine infrastructure in our markets is affected by the actual and anticipated shipping and vessel needs of the economy in general and in our geographic markets in particular. If the general level of economic activity deteriorates, our customers may delay or cancel expansions, upgrades, maintenance and repairs to their infrastructure. A number of other factors, including the financial condition of the shipping industry, could adversely affect our customers and their ability or willingness to fund capital expenditures in the future. During downturns in the U.S. or world economies, the anticipated port usage in our geographic markets may decline, resulting in less port construction, upgrading and maintenance. As a result, demand for our services could substantially decline for extended periods.

Our operations are susceptible to a variety of adverse conditions including weather conditions, natural disasters and terrorist attacks that could negatively impact the markets in which we operate.

Our business, operating results and financial condition could be materially and adversely affected by severe weather and other natural disasters, such as earthquakes or hurricanes, particularly along the Gulf Coast, the West Coast, the Atlantic Seaboard, and the Caribbean Basin. Repercussions of severe weather conditions could cause significant interruption of projects in process and have safety implications to personnel at those sites.

Terrorist attacks, targeted at ports, marine facilities or shipping could affect the markets in which we operate our business and our expectations. Increased armed hostilities, terrorist attacks or responses from the United States may lead to further acts of terrorism and civil disturbances in the United States or elsewhere, which may further contribute to economic instability in the United States. These attacks or armed conflicts may affect our operations or those of our customers or suppliers and could impact our revenues, our production capability and our ability to complete contracts in a timely manner.

Restrictions on foreign ownership of our vessels could limit our ability to sell off any portion of our marine construction segment or result in the forfeiture of our vessels or in our inability to continue our operations in United States navigable waters.

The Dredging Act, the Jones Act, the Shipping Act and the Vessel Documentation Act require vessels engaged in the transport of merchandise or passengers between two points in the United States or dredging in the navigable waters of the United States to be owned and controlled by United States citizens. The United States citizen ownership and control standards require the vessel-owning entity to be at least 75% U.S. citizen-owned, thus restricting foreign ownership interests in the entities that directly or indirectly own the vessels which we operate. If we were to seek to sell any portion of our marine segment that owns any of these vessels, we may have fewer potential purchasers, since some potential purchasers might be unable or unwilling to satisfy the foreign ownership restrictions described above; additionally, any sales of certain of our larger vessels to foreign buyers would be subject to approval by the U.S. Maritime Administration. As a result, the sales price for that portion of our marine segment may not attain the amount that could be obtained in an unregulated market.

Our strategy of growing through strategic acquisitions may not be successful.

We may pursue growth through the acquisition of companies or assets that will enable us to broaden the types of projects we execute and also expand into new markets. We have completed several acquisitions and plan to consider strategic acquisitions in the future. We may be unable to implement this growth strategy if we cannot identify suitable companies or assets or reach agreement on potential strategic acquisitions on acceptable terms. Moreover, an acquisition involves certain risks, including:

- difficulties in the integration of operations, systems, policies and procedures;
- enhancements in our controls and procedures including those necessary for a public company may make it more difficult to integrate operations and systems;
- failure to implement proper overall business controls, including those required to support our growth, resulting in inconsistent operating and financial practices at companies we acquire or have acquired;
- termination of relationships with the key personnel and customers of an acquired company;
- additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls;
- the incurrence of environmental and other liabilities, including liabilities arising from the operation of an acquired business or asset prior to our acquisition for which we are not indemnified or for which the indemnity is inadequate;
- disruption of or receipt of insufficient management attention to our ongoing business; and
- inability to realize the cost savings or other financial benefits that we anticipate.

Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in additional goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

Risk Factors Relating to Our Accounting, Financial Results and Financing Plans

Our bonding requirements may limit our ability to incur indebtedness.

We generally are required to provide various types of surety bonds that provide an additional measure of security for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends upon various factors including our capitalization, working capital and amount of our indebtedness. In order to help ensure that we can obtain required bonds, we may be limited in our ability to incur additional indebtedness that may be needed for potential acquisitions and operations. Our inability to incur additional indebtedness could have a material adverse effect on our business, operating results and financial condition.

Systems and information technology interruption or failure and data security breaches could adversely impact our ability to operate or expose us to significant financial losses and reputational harm.

We rely heavily on computer, information, and communications technology and related systems in order to properly operate our business. From time to time, we experience occasional system interruptions and delays. In the event we are unable to regularly deploy software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of our systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data. In addition, our computer and communication systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material

adverse impact on our business, financial condition, protection of intellectual property, and results of operations, as well as those of our clients.

In addition, we face the threat to our computer systems of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber attacks and other security problems and system disruptions, including possible unauthorized access to and disclosure of our and our clients' proprietary or classified information. We rely on industry accepted security measures and technology to securely maintain all confidential and proprietary information on our computer systems, but they may still be vulnerable to these threats. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Our Indebtedness

Our indebtedness requires significant debt service payments that could adversely affect our financial condition and prevent us from fulfilling our obligations under our indebtedness.

At December 31, 2017, our total consolidated indebtedness was approximately $88.8 million. Per the Credit Agreement, the Term Loan Facility requires quarterly installment payments which increase throughout the life of the loan and have a date of maturity of August 5, 2020. We must also comply with various affirmative and negative covenants contained in our Credit Agreement, some of which may restrict the way in which we would like to conduct our business. Among other things, our requirements under out debt instruments could potentially limit our ability to:

- incur additional indebtedness or liens;
- make payments in respect of or redeem or acquire any debt or equity issued by us;
- sell assets;
- make loans or investments;
- make guarantees;
- enter into any hedging agreement for speculative purposes;
- acquire or be acquired by other companies; or
- amend some of our contracts.

The restrictions under our indebtedness may prevent us from engaging in certain transactions which might otherwise be considered beneficial to us, for example, they could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital and capital expenditures, to engage in future acquisitions, to enter into new construction or development activities, or to otherwise fully realize the value of our assets and opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness or to comply with any restrictive terms of our indebtedness;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate; and
- place us at a competitive disadvantage as compared to our competitors that have less debt.

We may incur additional indebtedness in the future under our existing Credit Agreement, by issuing debt instruments, under new credit agreements, under joint venture credit agreements, under capital leases or synthetic leases, on a project-finance or other basis or a combination of these. If we incur additional indebtedness in the future, it likely would be under our existing Credit Agreement or under arrangements that may have terms and conditions at least as restrictive as those contained in our existing Credit Agreement. At December 31, 2017, available capacity to borrow on the Revolving Line of Credit was $39.3 million. Failure to comply with the terms and conditions of any existing or future indebtedness would constitute an event of default. If an event of default occurs, the lenders will have the right to accelerate the maturity of such indebtedness and foreclose upon the collateral, if any, securing that indebtedness.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the Credit Facility allow for loans at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed will remain the same, and our net income and operating cash flows, including cash available for servicing our indebtedness, will correspondingly decrease.

We have entered into a series of receive-variable, pay-fixed interest rate swaps. We use interest rate swap agreements to hedge market risks relating to possible adverse changes in interest rates with the intent of reducing volatility in our cash flows due to

fluctuations in interest rates. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk, may prove disadvantageous, or may create additional risks, including risks discussed in "Risks Related to Our Business" above. In addition, our hedging activities are subject to the risks that a counterparty may not perform its obligations under the applicable derivative instrument.

Item 1B. UNRESOLVED STAFF COMMENTS

None

Item 2. PROPERTIES

Our corporate headquarters is located at 12000 Aerospace Avenue, Suite 300, Houston, Texas 77034, with 21,415 square feet of office space that we lease, with a current term expiring April 30, 2020 and with two five year extensions at our option. Our executive, legal, finance, and some accounting offices are located at this facility. We lease office space in Alaska, Louisiana, Texas and Washington for our operations, including office and yard space for our concrete segment. We own property for our waterfront maintenance and dock facilities, including equipment yards in Texas and Florida, which total approximately 76.6 acres. We also own approximately 340 acres of land in the upper Houston Ship Channel used as a Dredge Material Placement Area ("DMPA"). We may lease smaller project related offices throughout our operating areas when the need arises.

We believe that our existing facilities are adequate for our operations. We do not believe that any single facility is material to our operations and, if necessary, we could readily obtain a replacement facility. Some of our real estate assets are pledged to secure our credit facility.

Item 3. LEGAL PROCEEDINGS

From time to time, the Company is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, the Company accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe any other proceedings, individually or in the aggregate, would be expected to have a material adverse effect on results of operations, cash flows, or financial condition.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information
Our common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol "ORN".

The following table sets forth the low and high prices of a share of our common stock during each of the fiscal quarters presented, based on NYSE reports:

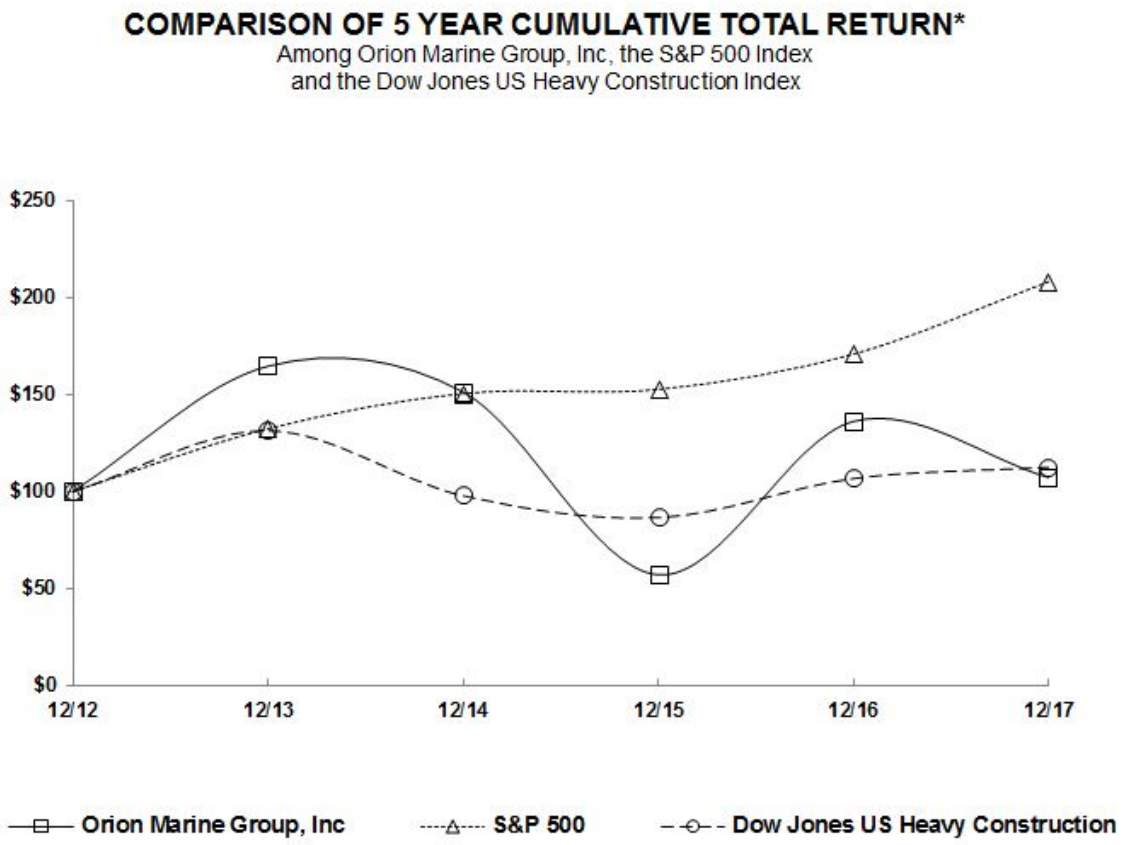
	Low	High
2017		
Fourth quarter – December 31	$ 6.10	$ 8.37
Third quarter – September 30	$ 5.17	$ 7.69
Second quarter – June 30	$ 6.82	$ 8.61
First quarter – March 31	$ 7.01	$ 11.11
2016		
Fourth quarter – December 31	$ 6.66	$ 10.80
Third quarter – September 30	$ 5.15	$ 6.90
Second quarter – June 30	$ 4.57	$ 5.99
First quarter – March 31	$ 3.25	$ 5.39

Holders
As of March 2, 2018, we had approximately 3,100 stockholders of record including beneficial holders.

Dividends
For the foreseeable future, we intend to retain earnings to grow our business and do not intend to pay dividends on our common stock. We have not historically paid dividends and payments of future dividends, if any, will be at the discretion of our board of directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements, and other factors that our board of directors deems relevant. Our existing credit facility restricts our ability to pay cash dividends on our common stock, and we may also enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock. Please refer to Item 7 of this Annual Report on Form 10-K for a more detailed discussion of our existing credit facility under *" Sources of Capital"*.

Issuer Repurchase of Equity Securities
None

Performance Graph*
The following graph shows the changes in the value of $100 invested in (1) the common stock of Orion Group Holdings, Inc., (2) the Standard & Poor's 500 Stock Index and (3) the Dow Jones Heavy Construction Group Index. The values of each investment are based on share price appreciation, with reinvestment of all dividends, assuming any were paid. For each graph, the investments are assumed to have occurred at the beginning of each period.



*$100 invested on 12/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	2012	2013	2014	2015	2016	2017
Orion Group Holdings, Inc.	100.00	164.57	151.16	57.05	136.11	107.11
S&P 500	100.00	132.39	150.51	152.59	170.84	208.14
Dow Jones US Heavy Civil Construction	100.00	131.28	97.77	86.51	106.71	112.44

Note: The above information was provided by Research Data Group, Inc.
**This table and the information therein is being furnished but not filed.*

Securities Authorized for Issuance Under Equity Compensation Plans
The information required by Item 201(d) of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 6. SELECTED FINANCIAL DATA

The following table presents selected financial data for each of the last five fiscal years. This selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes beginning on page F-1 of this Annual Report on Form 10-K and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations". These historical results are not necessarily indicative of the results of operations to be expected for any future period.

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The table below includes the non-U.S. GAAP operating performance measure of EBITDA. For a definition of EBITDA and a reconciliation to net income calculated and presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), please see "*Non-U.S. GAAP Financial Measures*" immediately below.

	Amounts in thousands, except share and per share information				
	2017	**2016**	**2015**	**2014**	**2013**
Contract revenues	$ 578,553	$ 578,236	$ 466,498	$ 385,818	$ 354,544
Gross profit	66,890	67,482	40,182	44,594	32,004
Selling, general and administrative expenses	66,026	64,987	47,715	34,691	32,110
Other expense, net	(5,679)	(6,113)	(2,580)	(210)	(347)
Net income (loss)	400	(3,620)	(8,060)	6,877	331
Net income (loss) per share:					
Basic	$ 0.01	$ (0.13)	$ (0.29)	$ 0.25	$ 0.01
Diluted	$ 0.01	$ (0.13)	$ (0.29)	$ 0.25	$ 0.01
Weighted average shares outstanding:					
Basic	28,029,936	27,536,967	27,366,528	27,421,441	27,296,732
Diluted	28,354,280	27,536,967	27,366,528	27,787,613	27,613,054
Other Financial Data					
EBITDA	$ 31,070	$ 38,295	$ 20,620	$ 34,180	$ 21,444
Capital expenditures	10,729	18,715	20,802	18,711	12,760
Cash interest expense	4,413	5,031	3,063	742	483
Depreciation and amortization*	29,491	34,162	28,083	23,451	21,538
Net cash provided by (used in):					
Operating activities	34,133	23,149	25,179	11,945	13,033
Investing activities	(10,080)	(17,686)	(128,795)	(42,787)	(12,010)
Financing activities	(15,272)	(6,503)	66,068	28,876	(3,248)

**includes depreciation and amortization of finite-lived intangible assets*

	2017	**2016**	**2015**	**2014**	**2013**
(in thousands)					
Balance Sheet Data:					
Cash and cash equivalents	$ 9,086	$ 305	$ 1,345	$ 38,893	$ 40,859
Working capital	69,797	77,588	75,277	60,508	65,473
Total assets	433,285	447,676	461,462	352,300	306,208
Total debt, net of debt issuance costs	85,941	101,265	106,609	37,007	8,564
Total stockholders' equity	231,266	226,204	227,714	236,717	227,812

Non-U.S. GAAP Financial Measures

We include in this Annual Report on Form 10-K the non-U.S. GAAP financial measure of EBITDA. We define EBITDA as earnings before interest, income taxes, depreciation and amortization. EBITDA is used as a supplemental operating performance measure by our management and by external users of our financial statements such as investors, commercial banks and others, to assess:

- the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
- our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

EBITDA is not a presentation made in accordance with U.S. GAAP. EBITDA should not be considered an alternative to, or more meaningful than, net income, operating income, cash flows from operating activities or any other measure of performance presented in accordance with U.S. GAAP as measures of operating performance. Because EBITDA excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies. EBITDA has important limitations as an analytical tool, and you should not consider it in isolation.

The following table provides a reconciliation of EBITDA to our net income for the periods indicated as calculated and presented in accordance with U.S. GAAP:

	2017	2016	2015	2014	2013
Net income (loss)	$ 400	$ (3,620)	$ (8,060)	$ 6,877	$ 331
Income tax (benefit) expense	(4,541)	1,581	(2,519)	3,175	(937)
Interest expense, net	5,720	6,172	3,116	677	512
Depreciation and amortization*	29,491	34,162	28,083	23,451	21,538
EBITDA	$ 31,070	$ 38,295	$ 20,620	$ 34,180	$ 21,444

**includes depreciation and amortization of finite-lived intangible assets*

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is based on and should be read in conjunction with our consolidated financial statements and the accompanying notes beginning on page F-1 of this Annual Report on Form 10-K. Certain statements made in our discussion may be forward-looking. Forward-looking statements involve risks and uncertainties and a number of other factors that could cause actual results or outcomes to differ materially from our expectations. See *"Forward-Looking Statements"* at the beginning of this Annual Report on Form 10-K for additional discussion of some of these risks and uncertainties. Unless the context requires otherwise, when we refer to "we", "us" and "our", we are describing Orion Group Holdings, Inc. and its consolidated subsidiaries.

Overview

Orion Group Holdings, Inc., its subsidiaries and affiliates (hereafter collectively referred to as the "Company"), provides a broad range of specialty construction services in the infrastructure, industrial and building sectors of the continental United States, Alaska, Canada and the Caribbean Basin. The Company's marine segment services the infrastructure sector through marine transportation facility construction, marine pipeline construction, marine environmental structures, dredging of waterways, channels and ports, environmental dredging, design, and specialty services. Its concrete segment services the building sector by providing turnkey concrete construction services including pour and finish, dirt work, layout, forming, rebar, and mesh across the light commercial structural and other associated business areas. The Company is headquartered in Houston, Texas with offices throughout its operating areas.

Our contracts are obtained primarily through competitive bidding in response to "requests for proposals" by federal, state and local agencies and through negotiation and competitive bidding with private parties and general contractors. Our bidding activity and strategies are affected by such factors as our backlog, current utilization of equipment and other resources, job location, our ability to obtain necessary surety bonds and competitive considerations. The timing and location of awarded contracts may result in unpredictable fluctuations in the results of our operations.

Most of our revenue is derived from fixed-price contracts. We record revenue on construction contracts using the percentage-of-completion method, measured by the percentage of contract costs incurred to date to total estimated costs for each contract. There are a number of factors that can create variability in contract performance and therefore impact the results of our operations. The most significant of these include the following:

- completeness and accuracy of the original bid;
- increases in commodity prices such as concrete, steel and fuel;
- customer delays, work stoppages, and other costs due to weather and environmental restrictions;
- availability and skill level of workers; and
- a change in availability and proximity of equipment and materials.

All of these factors can have a negative impact on our contract performance, which can adversely affect the timing of revenue recognition and ultimate contract profitability. We plan our operations and bidding activity with these factors in mind and they generally have not had a material adverse impact on the results of our operations in the past.

2017 Recap and 2018 Outlook

In 2017, we recorded revenues of $578.6 million, of which $292.8 million was attributable to our concrete segment and the remaining $285.8 million to our marine segment. In addition, we ended 2017 with a consolidated backlog of $360.6 million. Our revenues in 2017 increased by 0.1% as compared with 2016 and we recorded a net income of $0.4 million, as compared with net loss of $3.6 million in the prior year. Net income in 2017 was driven by a net tax benefit of $4.5 million, resulting from the favorable impact of the Tax Cuts and Jobs Act (the "Act") enacted on December 22, 2017.

Looking toward 2018, the Company expects a solid volume of high quality bid opportunities to continue as each of the operating markets maintain market share expansion efforts while also pursuing new business avenues in certain sectors. The backlog level at year end, in addition to solid operational performance, continuous improvement and training across the business, and recent change in management structure provides long-term visibility to support future success.

Marine Segment

Demand for our marine construction services remains strong. We continue to see solid demand to help maintain and expand the infrastructure that facilitates the movement of goods and people on or over waterways. Specifically, we continue to see bid opportunities from our private sector energy-related customers as they expand their marine facilities related to the storage, transportation and refining of domestically produced energy. Over the long term, we expect to see some bid opportunities in this sector from petrochemical-related customers, energy exporters, and liquefied natural gas facilities. Opportunities from local port authorities also remain solid, many of which are related to the completion of the Panama Canal expansion project. Additionally, we expect to see some bid opportunities related to coastal restoration funded through the RESTORE Act throughout 2018. We believe our current equipment fleet will allow us to better meet market demand for projects from both our public and private customers in the future.

In the long-term, we see positive trends in demands for our services in our end markets, including:

- General demand to repair and improve degrading U. S. marine infrastructure;
- Improving economic conditions and increased activity in the petrochemical industry and energy-related companies will necessitate capital expenditures, including larger projects, as well as maintenance call-out work;
- Expected increases in cargo volume and future demands from larger ships transiting the Panama Canal will require ports along the Gulf Coast and Atlantic Seaboard to expand port infrastructure as well as perform additional dredging services;
- The WRRDA Act authorizing expenditures for the conservation and development of the nation's waterways as well as addressing funding deficiencies within the Harbor Maintenance Trust Fund;
- Renewed focus on coastal rehabilitation along the Gulf Coast, particularly through the use of RESTORE Act funds based on fines collected related to the 2010 Gulf of Mexico oil spill; and
- Funding for highways and transportation under the FAST Act, which provides authority through 2020.

Concrete Segment

Our concrete segment's demand remains strong. The Texas building sector is in solid shape as its three major metropolitan areas, and expanding suburbs, continuously retain their positions as leading destinations for families and businesses to reside. Population growth throughout our markets continues to drive new distribution centers, office expansion, retail and grocery establishments and new multi-family housing units. In Houston, warehouse construction and new education facilities continue to comprise a large portion of project mix. The Dallas-Fort Worth office continues its efforts to expand the services it offers beyond light commercial and will be targeting structural construction opportunities going forward. As anticipated, our Central Texas operations are performing well, as we are seeing solid project execution and expanding market share along the I-35 corridor. Sustained demand for concrete services in Houston and Dallas/Fort Worth markets, coupled with the early progress being made in Central Texas, indicate the concrete segment should continue providing meaningful contribution to EBITDA throughout 2018.

Consolidated Results of Operations

Backlog Information

Our contract backlog represents our estimate of the revenues we expect to realize under the portion of contracts remaining to be performed. Given the typical duration of our contracts, which is generally less than a year, our backlog at any point in time usually represents only a portion of the revenue that we expect to realize during a twelve month period. Many projects that make up our backlog may be canceled at any time without penalty; however, we can generally recover actual committed costs and profit on work performed up to the date of cancellation. Although we have not been adversely affected by contract cancellations or modifications in the past, we may be in the future, especially in economically uncertain periods. Consequently, backlog is not necessarily indicative of future results. In addition to our backlog under contract, we also have a substantial number of projects in negotiation or pending award at any time.

Backlog for our marine segment at December 31, 2017 was $177.0 million, as compared with $280.7 million at December 31, 2016, a decrease of 36.9% from the prior year period.

Backlog for our concrete segment at December 31, 2017 was $183.6 million, as compared with $153.3 million at December 31, 2016, an increase of 19.8% from the prior year period.

Income Statement Comparisons

	Year ended December 31,					
	2017		2016		2015	
	Amount	Percent	Amount	Percent	Amount	Percent
	(dollar amounts in thousands)					
Contract revenues	$ 578,553	100.0 %	$ 578,236	100.0 %	$ 466,498	100.0%
Cost of contract revenues	511,663	88.4 %	510,754	88.3 %	426,316	91.4%
Gross profit	66,890	11.6 %	67,482	11.7 %	40,182	8.6%
Selling, general and administrative expenses	66,026	11.4 %	64,987	11.2 %	47,715	10.2%
(Gain) loss from sale of assets, net	(674)	(0.1)%	(1,579)	(0.3)%	466	—%
Operating income (loss)	1,538	0.3 %	4,074	0.8 %	(7,999)	(1.6)%
Other (expense) income						
Other income	41	— %	59	— %	536	—%
Interest income	11	— %	3	— %	32	—%
Interest expense	(5,731)	(1.0)%	(6,175)	(1.1)%	(3,148)	(0.7)%
Other expense, net	(5,679)	(1.0)%	(6,113)	(1.1)%	(2,580)	(0.7)%
Loss before income taxes	(4,141)	(0.7)%	(2,039)	(0.3)%	(10,579)	(2.3)%
Income tax (benefit) expense	(4,541)	(0.8)%	1,581	0.3 %	(2,519)	(0.5)%
Net income (loss)	$ 400	0.1 %	$ (3,620)	(0.6)%	(8,060)	(1.8)%

Year ended December 31, 2017 compared with year ended December 31, 2016

Contract Revenues. Contract revenues in 2017 of $578.6 million increased approximately 0.1% as compared to $578.2 million in 2016. The increase was attributable to the expansion of the concrete construction business in Central Texas through the acquisition of TBC in April 2017 and increased demand for marine construction services in the fourth quarter of 2017 following the impact of hurricanes on the Gulf Coast, Florida and Caribbean Basin. This increase was offset by project disruptions caused by weather events during the third quarter of 2017, which affected both the marine and concrete construction operations, as well as delays in customers obtaining necessary permits, which caused interruptions in the anticipated commencement of certain projects in the marine segment during the first half of 2017.

Contract revenues generated from private sector customers for the marine segment represented 47.7%, or $136.4 million, of total contract revenues in 2017 compared to 53.3%, or $151.8 million, in 2016. Contract revenues generated from private sector customers for the concrete segment represented 83.4%, or $244.1 million, in 2017 compared to 86.5%, or $254.0 million, in 2016. These decreases were primarily due to a shift of project mix with an increase in public sector projects for the marine and concrete segments of approximately 5.6% and 3.1%, respectively.

Contract revenues generated from public sector customers for the marine segment represented 52.3%, or $149.3 million, of total contract revenues in 2017 compared to 46.7%, or $132.9 million, in 2016. Contract revenues generated from public sector customers for the concrete segment represented 16.6%, or $48.7 million, in 2017 compared to 13.5%, or $39.7 million, in 2016. These increases were driven by a shift in timing and mix of projects as well as the addition of projects in the marine segment.

Gross Profit. Gross profit was $66.9 million for the year ended December 31, 2017, compared to $67.5 million in the prior year period, a decrease of $0.6 million, or 0.9%. Gross margin in 2017 was 11.6% of total contract revenues as compared to 11.7% in the prior year period. This decrease was driven by project disruptions caused by weather events during the third quarter of 2017, which affected both the marine and concrete construction operations, as well as delays in customers obtaining necessary permits, which caused interruptions in the anticipated commencement of certain projects in the marine segment during the first half of 2017. This was offset by increased demand for marine construction services in the fourth quarter of 2017 following the impact of hurricanes on the Gulf Coast, Florida and Caribbean Basin.

Selling, General and Administrative Expense. Selling, general and administrative ("SG&A") expenses were $66.0 million for the year ended December 31, 2017 compared to $65.0 million in the prior year period, an increase of $1.0 million, or 1.6%. As a percentage of

total contract revenues, SG&A expenses increased slightly as compared with the prior year, from 11.2% to 11.4%. This increase was driven by the acquisition of TBC in the concrete segment as well as higher legal costs, partially offset by reductions in corporate overhead and consulting fees.

Other Expense, net. Other expense primarily reflects interest on our borrowings.

Income Tax (Benefit) Expense. We recorded tax benefit of $4.5 million in 2017, compared to tax expense of $1.6 million in 2016. Our effective tax rate in 2017 was 109.7%, which differs from the statutory rate of 35% and was driven by the impact of the Act enacted on December 22, 2017. We recorded a net tax benefit of $5.9 million, or $0.21 per share, primarily resulting from the re-measurement of the Company's net deferred tax liabilities to reflect the new, lower U.S. corporate income tax rate of 21%, partially offset by the addition of a valuation allowance recorded against prior years' foreign tax credit carryovers not expected to be utilized in future tax years. This net tax benefit was partially offset by the establishment of an uncertain tax position reserve as well as tax expenses for permanent differences associated with incentive stock options and meals and entertainment.

While we have substantially completed our provisional analysis of the income tax effects of the Act and recorded a reasonable estimate of such effects, the net tax benefit related to the Act may differ, possibly materially, due to among other things, further refinement of our calculations, changes in interpretations and assumptions that we have made, additional guidance that may be issued by the U.S. government, and actions and related accounting policy decisions we may take as a result of the Act. We will complete our analysis over the one-year measurement period, ending December 22, 2018, and any adjustments during this measurement period will be recorded in net earnings from continuing operations as an adjustment to income tax expense in the reporting period when such adjustments are determined.

Year ended December 31, 2016 compared with year ended December 31, 2015

Contract Revenues. Contract revenues in 2016 increased approximately 24.0% as compared with 2015. The increase is attributable to a full year of operations for the concrete segment, which accounted for $293.6 million in contract revenues.

Contract revenues generated from private sector customers for the marine segment increased to 53.3% of total contract revenues in 2016 from 40.1% in 2015. This totaled approximately $151.8 million generated from private customers, or an increase of $12.6 million from the comparable prior period. This is primarily due to a shift of project mix, with a decrease in public sector projects of approximately 13.2%. Contract revenues generated from private sector customers for the concrete segment represented 86.5%, or $254.0 million in 2016.

Contract revenues generated from public sector customers for the marine segment represented 46.7% of total revenue in the year, or approximately $132.9 million, as compared with 59.9% during 2015. This is primarily due to a shift in timing of projects as well as completion of certain projects during 2015. Contract revenues generated from public sector customers for the concrete segment represented 13.5%, or $39.7 million in 2016.

Gross Profit. Gross profit was $67.5 million for the year ended December 31, 2016, an increase of $27.3 million compared with the prior period. Gross margin in 2016 was 11.7% of total revenue as compared to 8.6% in the prior year period. The concrete segment contributed $38.6 million to gross profit in the current year compared to $17.1 million in the prior period, due to a full year of operations for this segment. The marine segment had an increase in gross profit for the period of approximately $5.8 million from the comparable prior period, despite a decrease in revenues over this period, due to the completion of the troubled Tampa jobs.

Selling, General and Administrative Expense. Selling, general and administrative ("SG&A") expenses were $65.0 million, an increase of $17.3 million, or 36.2%, as compared with the prior year period, and as a percentage of revenues, SG&A expenses increased as compared with the prior year, to 11.2% from 10.2%. The concrete segment added $22.4 million in SG&A expense in the current year compared to $10.9 million for the year ended December 31, 2015, due to a full year of operations. The increase in SG&A expense for the marine segment was $5.8 million compared with the prior period. This increase is primarily a result of an increase in payroll and related costs of approximately $4.5 million, due to an increase in head count during the year, accounting fees of approximately $0.6 million, and certain consulting fees of $0.5 million.

Income Tax Expense (Benefit). We recorded tax expense of $1.6 million in 2016, as compared with a tax benefit of $2.5 million in 2015. Our effective tax rate in 2016 was (77.5)%. This differs from the statutory rate of 35.0%, primarily due to state income taxes, the non-deductibility of certain permanent items, such as incentive stock compensation expense, additional valuation allowances on deferred tax assets and a true up to prior years taxes.

Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment revenues as a percentage of consolidated revenues and segment operating (loss) income as a percentage of segment revenues:

Segment Comparison

	Year ended December 31,					
	2017		2016		2015	
	Amount	Percent	Amount	Percent	Amount	Percent
	(dollar amounts in thousands)					
Contract revenues						
Marine Segment	$ 285,736	49.4 %	$ 284,632	49.2 %	$ 347,117	74.4 %
Concrete Segment	292,817	50.6 %	293,604	50.8 %	119,381	25.6 %
Total	$ 578,553	100.0 %	$ 578,236	100.0 %	$ 466,498	100.0 %
Operating (loss) income						
Marine Segment	$ (18,406)	(6.4)%	$ (12,403)	(4.4)%	$ (14,243)	(4.1)%
Concrete Segment	19,944	6.8 %	16,477	5.6 %	6,244	5.2 %
Total	$ 1,538		$ 4,074		$ (7,999)	

Year ended December 31, 2017 compared with year ended December 31, 2016

Marine Segment

Revenues for our marine segment for the year ended December 31, 2017 were $285.7 million compared to $284.6 million for the year ended December 31, 2016, an increase of $1.1 million, or 0.4%. This increase was attributable to increased demand for marine construction services in the fourth quarter of 2017 following the impact of hurricanes on the Gulf Coast, Florida and Caribbean Basin. This was partially offset by project disruptions caused by weather events during the third quarter of 2017 as well as delays in customers obtaining necessary permits, which caused interruptions in the anticipated commencement of certain projects during the first half of 2017.

Operating loss for our marine segment for the year ended December 31, 2017 was $18.4 million, compared to $12.4 million for the year ended December 31, 2016, an increase of $6.0 million, or 48.4%. This increase in operating loss was primarily due to project disruptions as a result of significant weather events during the third quarter of 2017 as well as delays in customers obtaining necessary permits which caused delays in the anticipated commencement of certain projects. As a percentage of total contract revenues, operating loss for our marine segment was 6.4% for the year ended December 31, 2017, compared to 4.4% for the year ended December 31, 2016.

Concrete Segment

Revenues for our concrete segment for the year ended December 31, 2017 were $292.8 million compared to $293.6 million for the year ended December 31, 2016, a decrease of $0.8 million, or 0.3%. This decrease was attributable to project disruptions caused by weather events, including Hurricane Harvey in the third quarter of 2017 and abnormal winter delays in the fourth quarter of 2017, offset by the impact of acquiring TBC in April 2017.

Operating income for our concrete segment for the year ended December 31, 2017 was $19.9 million, compared to $16.5 million from the year ended December 31, 2016, an increase of $3.5 million, or 21.0%. This increase was primarily due to solid execution of operations in the segment during 2017. As a percentage of revenues, operating income for our concrete segment was 6.8% for the year ended December 31, 2017, compared to 5.6% for the year ended December 31, 2016.

Year ended December 31, 2016 compared with year ended December 31, 2015

Marine Segment

Revenues for our marine segment for the year ended December 31, 2016 were $284.6 million compared to $347.1 million for the year ended December 31, 2015, a decrease of $62.5 million, or 18.0%. This decrease is primarily attributable to project delays caused by severe weather impacting in the Florida market as well as to delays in customers obtaining necessary permits in both our Tacoma and Gulf Coast offices in addition to one-time charges related to the accounting treatment of a specific contract with significant differing site conditions.

Operating loss for our marine segment for the year ended December 31, 2016 was $12.4 million, compared to a $14.2 million loss, an improvement of $1.8 million from the year ended December 31, 2015. The margin improvement was primarily due to the completion of troubled Tampa projects during the year. As a percentage of revenues, operating loss for our marine segment was 4.4% for the year ended December 31, 2016 and 4.1% for the year ended 2015.

Concrete Segment

Revenues for our concrete segment for the year ended December 31, 2016 were $293.6 million compared to $119.4 million for the year ended December 31, 2015, an increase of $174.2 million, or 145.9%. This increase in revenue was primarily due to a full year of operations compared to the prior year due to the timing of the acquisition. In addition, the segment experienced significant growth in the Dallas market during 2016.

Operating income for our concrete segment for the year ended December 31, 2016 was $16.5 million, compared to $6.2 million, an increase of $10.3 million from the year ended December 31, 2015. The margin improvement was primarily due to the improvements in the Dallas market. As a percentage of revenues, operating income for our concrete segment was 5.6% for the year ended December 31, 2016 compared to 5.2% for the year ended December 31, 2015.

Critical Accounting Estimates

The consolidated financial statements contained in this report were prepared in accordance with U.S. GAAP. The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect both the Company's carrying values of its assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Although our significant accounting policies are described in more detail in Note 2 of the *Notes to Consolidated Financial Statements*; we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements:

- Revenue Recognition from Construction Contracts;
- Long Lived Assets;
- Goodwill;
- Income Taxes;
- Insurance Coverage, Litigation, Claims and Contingencies; and
- Accounting for Stock Issued to Employees and Others.

Revenue Recognition
We determine our revenue recognition guidelines for our operations based on guidance provided in applicable accounting standards and positions adopted by the FASB and the SEC. We enter into construction contracts principally on the basis of competitive bids. Although the terms of our contracts vary considerably, most are made on a fixed-price basis. Revenues from construction contracts are recognized on the percentage-of-completion method. The percentage-of-completion method measures the ratio of costs incurred and accrued to date for each contract to the estimated total costs for each contract at completion. This requires us to prepare on-going estimates of the costs to complete each contract as the project progresses. In preparing these estimates, we make significant judgments and assumptions concerning our significant cost drivers of materials, labor and equipment, and we evaluate contingencies based on possible schedule variances, production delays or other productivity factors.

Actual costs incurred on projects may vary from the costs we estimated. Variations from estimated contract costs along with other risks inherent in fixed-price contracts (including but not limited to our contract performance) may result in actual revenue and gross profits that differ in some cases from those we estimated and could result in losses on projects. If a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full when determined, without regard to the percentage

of completion. We consider unapproved change orders to be contract variations on which we have customer approval for scope change, but no agreement on price associated with that scope change. These costs are included in the estimated cost to complete the contracts and are expensed as incurred. We recognize revenue equal to cost incurred on unapproved change orders when realization of price approval is probable and the estimated amount is equal to or greater than our cost related to the unapproved change order and the related margin when the change order is formally approved by the customer. Revenue recognized on unapproved change orders is included in contract costs and estimated earnings in excess of billings on uncompleted contracts on the balance sheet. We consider claims to be amounts that we seek or will seek to collect from customers or others for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no agreement with customers on both scope and price changes. Pending claims are recognized as an increase in contract revenue only when the collection is deemed probable and if the amount can be reasonably estimated for purposes of calculating total profit or loss on long-term contracts. The Company records revenue and the unbilled receivable for project claims to the extent of costs incurred and to the extent management believes related collection is probable and includes no profit on claims recorded. Costs associated with claims are included in the estimated costs to complete the contracts and are expensed when incurred. Depending on the size of a particular project, variations from estimated project costs could have a significant impact on our operating results for any fiscal quarter or year. We believe our exposure to losses on fixed price contracts is limited by the relatively short duration of the contracts we undertake and our management's experience in estimating contract costs.

We are currently evaluating the impact of the new standard related to revenue recognition. See Note 2 - Summary of Significant Accounting Principles in the Notes to the Financial Statements (Part IV, Item 15 of this Form 10-K) for further discussion.

Long-Lived Assets

Our long-lived assets consist primarily of equipment used in our operations. Fixed assets are carried at cost and are depreciated over their estimated useful lives, ranging from one to 30 years, using the straight-line method for financial reporting purposes and accelerated methods for tax reporting purposes. The carrying value of our long-lived assets is evaluated periodically based on utilization of the asset and physical condition of the asset, as well as the useful life of the asset to determine if adjustment to the depreciation period or the carrying value is warranted. If events and circumstances such as poor utilization or deteriorated physical condition indicate that the asset(s) should be reviewed for possible impairment, we use projections to assess whether future cash flows, including disposition, on a non-discounted basis related to the tested assets are likely to exceed the recorded carrying amount of those assets to determine if an impairment exists. If we identify a potential impairment, we will estimate the fair value of the asset through known market transactions of similar equipment and other valuation techniques, which could include the use of similar projections on a discounted cash flow basis. We will report a loss to the extent that the carrying value of the impaired assets exceeds their fair values.

Goodwill

We have acquired businesses and assets in purchase transactions that resulted in the recognition of goodwill that we carry on our balance sheet. In accordance with U.S. GAAP, goodwill recorded on our Consolidated Balance Sheets is not amortized, but is subject to impairment testing at least annually or more frequently if events or circumstances indicate that the asset may be impaired. We determined that our operations comprise two reporting units for goodwill impairment testing, which matches our two operating segments for financial reporting.

We assess the fair value of our reporting unit based on a weighted average of valuations based on market multiples, discounted cash flows, and consideration of our market capitalization. The key assumptions used in the discounted cash flow valuations are discount rates and perpetual growth rates applied to cash flow projections. Also inherent in the discounted cash flow valuation models are past performance, projections and assumptions in current operating plans, and revenue growth rates over the next five years. These assumptions contemplate business, market and overall economic conditions. We also consider assumptions that market participants may use.

As required, annual impairment testing of goodwill is performed as of October 31 of each year or whenever circumstances arise that indicate a possible impairment might exist. Based on this testing, we determined that the estimated fair value of each reporting unit exceeded its respective carrying values as of October 31, 2017, goodwill was not impaired, and no events have occurred since that date that would require an interim impairment test. In the future, our estimated fair value could be negatively impacted by extended declines in our stock price, changes in macroeconomic indicators, sustained operating losses, and other factors which may affect our assessment of fair value.

Income Taxes

We determine our consolidated income tax provision using the asset and liability method prescribed by U.S. GAAP, which requires the recognition of income tax expense for the amount of taxes payable or refundable for the current period and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. We must make significant assumptions, judgments and estimates to determine our current provision for income taxes, our

deferred tax assets and liabilities, and any valuation allowance to be recorded against any deferred tax asset. The current provision for income tax is based upon the current tax laws and our interpretation of these laws, as well as the probable outcomes of any tax audits. The value of any net deferred tax asset depends upon estimates of the amount and category of future taxable income reduced by the amount of any tax benefits that we do not expect to realize. Actual operating results and the underlying amount and category of income in future years could render current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate, thus impacting our financial position and results of operations. We compute deferred income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Under the liability method, 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.

We account for uncertain tax positions in accordance with the provisions of the FASB's ASC 740-10, which prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken, or expected to be taken, on our consolidated tax return. We evaluate and record any uncertain tax positions based on the amount that management deems is more likely than not to be sustained upon ultimate settlement with the tax authorities in the tax jurisdictions in which we operate.

See Note 13 to our Consolidated Financial Statements for additional information regarding potential future effects on our income tax provision and effective tax rate as a result of the recent passage of the Act and our uncertain tax positions.

Insurance Coverage, Litigation, Claims and Contingencies
We maintain insurance coverage for our business and operations. Insurance related to property, equipment, automobile, general liability and a portion of workers' compensation is provided through traditional policies, subject to a deductible or deductibles. A portion of our workers' compensation exposure is covered through a mutual association, which is subject to supplemental calls.

The marine segment maintains five levels of excess loss insurance coverage, totaling $200 million in excess of primary coverage. This excess loss coverage responds to most of its liability policies when a primary limit of $1 million has been exhausted; provided that the primary limit for Contingent Maritime Employer's Liability is $10 million and the Watercraft Pollution Policy primary limit is $5 million. The concrete segment maintains five levels of excess loss insurance coverage, totaling $200 million in excess of primary coverage. This excess loss coverage responds to most of its liability policies when a primary limit of $1 million has been exhausted.

Separately, our marine segment employee health care is provided through a trust administered by a third party. Funding of the trust is based on current claims. The administrator has purchased appropriate stop-loss coverage. Losses on these policies up to the deductible amounts are accrued based upon known claims incurred and an estimate of claims incurred but not reported. The accruals are derived from known facts, historical trends and industry averages to determine the best estimate of the ultimate expected loss. Actual claims may vary from estimates. Any adjustments to such reserves are included in the consolidated results of operations in the period in which they become known. Our concrete segment employee health care is provided through two policies. A fully funded policy is offered primarily to salaried employees and their dependents while a partially self-funded plan with an appropriate stop-loss is offered primarily to hourly employees and their dependents. The self-funded plan is funded to the maximum exposure and, as a result, expects to receive a partial refund after the policy expiration.

Accounting for Stock Issued to Employees and Others
We measure the cost of equity compensation to our employees based on the estimated grant-date fair value of the award and recognize the expense over the vesting period. We use the Black-Scholes option pricing model to compute the fair value of the awards of options. The Black-Scholes model requires the use of subjective assumptions in the computation. Changes in these assumptions can cause significant fluctuations in the fair value of the option award. Our independent directors receive grants of stock, typically on an annual basis, of which the values are measured by the mean price of our stock on the day of grant.

Liquidity and Capital Resources

Our primary liquidity needs are to finance our working capital, fund capital expenditures, and pursue strategic acquisitions. Historically, our source of liquidity has been cash provided by our operating activities and borrowings under our Credit Facility (as defined below).

Our working capital position fluctuates from period to period due to normal increases and decreases in operational activity. At December 31, 2017, our working capital was $69.8 million as compared with $77.6 million at December 31, 2016. As of December 31, 2017, we had cash on hand of $9.1 million. Due to the outstanding borrowings on our revolver and outstanding letters of credit, our borrowing capacity at December 31, 2017 was approximately $39.3 million.

We expect to meet our future internal liquidity and working capital needs, and maintain our equipment fleet through capital expenditure purchases and major repairs, from funds generated by our operating activities for at least the next 12 months. We believe our cash position is adequate for our general business requirements discussed above and to service our debt.

The following table provides information regarding our cash flows and our capital expenditures for the years ending December 31, 2017, 2016 and 2015:

	2017	2016	2015
Cash flows provided by operating activities	$ 34,133	$ 23,149	$ 25,179
Cash flows used in investing activities	$ (10,080)	$ (17,686)	$ (128,795)
Cash flows (used in) provided by financing activities	$ (15,272)	$ (6,503)	$ 66,068
Capital expenditures (included in investing activities above)	$ (10,729)	$ (18,715)	$ (20,802)

Operating Activities. During 2017, our operations provided approximately $34.1 million in net cash inflows, as compared with cash provided by operations in the prior year period of $23.1 million. The increase in cash between periods of $11.0 million was primarily attributable to a change in working capital driven by a reduction accounts receivable as well as the Company generating net income in 2017 versus a net loss in 2016. This increase was partially offset by a decrease in deferred income taxes and depreciation expense.

The decrease in cash provided from operations of $2.0 million between 2016 and 2015 was primarily due to a decrease in working capital and partially offset by increases in depreciation expense and deferred income taxes as well as an improvement in the net loss.

Changes in working capital are normal within our business and are not necessarily indicative of any fundamental change within working capital components or trends in the underlying business.

Investing Activities. Capital asset additions and betterments to our fleet were $10.7 million in 2017, as compared with $18.7 million in 2016. The decrease is primarily a result of timing of purchase of capital assets. The Company spent approximately 50% of its projected capital expenditures budget for the current fiscal year.

Financing Activities. During 2017, we drew down $72.0 million from our revolving line of credit. Additionally, we repaid $70.0 million on this draw, as well as made regularly scheduled debt payments and additional payments on the term loan of of $17.8 million for a total of $87.8 million in debt payments. In the prior year, in connection with our new Credit Facility, we drew down $57.0 million from our revolving line of credit. Additionally, we repaid $53.0 million on this draw, as well as made regularly scheduled debt payments and additional payments on the term loan of of $10.1 million for a total of $63.1 million in debt payments.

Sources of Capital

The Company entered into a syndicated credit agreement (the "Credit Agreement") on August 5, 2015, with Regions Bank, as administrative agent and collateral agent, and the following co-syndication agents: Bank of America, N.A., BOKF, NA dba Bank of Texas, Branch Banking & Trust Company, Frost Bank, Bank Midwest, a division of NBH Bank, N.A., IBERIABANK, KeyBank NA, Trustmark National Bank, and First Tennessee Bank NA. The primary purpose of the Credit Agreement was to finance the acquisition of TAS, to provide a revolving line of credit, and to provide financing to extinguish all prior indebtedness with Wells Fargo Bank, National Associates, as administrative agent, and Wells Fargo Securities, LLC.

The Credit Agreement, which may be amended from time to time, provides for borrowings under a revolving line of credit and swingline loans with a commitment amount of $50.0 million, and a term loan with a commitment amount of $135.0 million (together, the “Credit Facility”). The Credit Facility is guaranteed by the subsidiaries of the Company, secured by the assets of the Company, including stock held in its subsidiaries, and may be used to finance general corporate and working capital purposes, to finance capital expenditures, to refinance existing indebtedness, to finance permitted acquisitions and associated fees, and to pay for all related expenses to the Credit Facility. Interest is due and is computed based on the designation of the loan, with the option of a Base Rate Loan (the base rate plus the Applicable Margin), or an Adjusted LIBOR Rate Loan (the adjusted LIBOR

rate plus the Applicable Margin). Interest is due on the last day of each quarter end for Base Rate Loans and at the end of the LIBOR rate period for Adjusted LIBOR Rate Loans. The rate for all loans, at the time of loan origination was 4.75%. Principal balances drawn under the Credit Facility may be prepaid at any time, in whole or in part, without premium or penalty. Amounts repaid under the revolving line of credit may be re-borrowed. The Credit Facility matures on August 5, 2020.

See Note 11 in the Notes to the Financial Statements (Part IV, Item 15 of this Form 10-K) for further discussion on the Company's Debt.

Financial covenants

Restrictive financial covenants under the Credit Facility include:

- A consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter to not be less than 1.25 to 1.00.
- A consolidated Leverage Ratio to not exceed the following during each noted date:
  -Closing Date through and including December 31, 2015, to not exceed 3.25 to 1.00;
  -Fiscal Quarter Ending March 31, 2016, to not exceed 4.00 to 1.00;
  -Fiscal Quarter Ending June 30, 2016, to not exceed 3.75 to 1.00;
  -Fiscal Quarter Ending September 30, 2016, to not exceed 3.25 to 1.00.
  -Fiscal Quarter Ending December 31, 2016, to not exceed 3.00 to 1.00;
  -Fiscal Quarter Ending March 31, 2017, to not exceed 2.75 to 1.00;
  -Fiscal Quarter Ending June 30, 2017, to not exceed 2.75 to 1.00;
  -Fiscal Quarter Ending September 30, 2017, to not exceed 3.00 to 1.00;
  -Fiscal Quarter Ending December 31, 2017 and each Fiscal Quarter Thereafter, to not exceed 3.00 to 1.00.

In addition, the Credit Facility contains events of default that are usual and customary for similar arrangements, including non-payment of principal, interest or fees; breaches of representations and warranties that are not timely cured; violation of covenants; bankruptcy and insolvency events; and events constituting a change of control.

During the second quarter of 2017, the Company initiated discussions with the lead bank in an effort to explore available options given the step down of the Leverage Ratio covenant and concerns it would not be in compliance with financial covenants. A second amendment to the Credit Agreement was executed during July 2017, which was effective as of June 30, 2017. The Leverage Ratio was adjusted beginning with the quarter ended June 30, 2017 through September 30, 2017, as reflected above. The Fixed Charge Coverage Ration was unchanged. During the third quarter of 2017, the Company initiated discussions with the lead bank due to concerns it would not be in compliance with financial covenants. A third amendment to the Credit Agreement was executed during November 2017, which was effective as of September 30, 2017. The Leverage Ratio was adjusted beginning with the quarter ended September 30, 2017 through each fiscal quarter thereafter, as reflected above. The Fixed Charge Coverage Ration was unchanged. The Company was in compliance with all financial covenants at December 31, 2017.

The Company expects to meet its future internal liquidity and working capital needs, and maintain or replace its equipment fleet through capital expenditure purchases and major repairs, from funds generated by our operating activities for at least the next 12 months. The Company believes that our cash position and available borrowings together with cash flow from our operations is adequate for general business requirements and to service its debt.

Derivative Financial Instruments

On September 16, 2015, the Company entered into a series of receive-variable, pay-fixed interest rate swaps to hedge the variability in the interest payments on 50% of the aggregate principal amount of the Regions Term Loan outstanding, beginning with a notional amount of $67.5 million. There are a total of five sequential interest rate swaps to achieve the hedged position and each year on August 31, with the exception of the final swap, the existing interest rate swap is scheduled to expire and will be immediately replaced with a new interest rate swap until the expiration of the final swap on July 31, 2020. At inception, these interest rate swaps were designated as a cash flow hedge for hedge accounting, and as such, the effective portion of unrealized changes in market value are recorded in accumulated other comprehensive income (loss) and reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Gains and losses from hedge ineffectiveness are recognized in current earnings. The change in fair market value of the swaps as of December 31, 2017 is less than $0.1 million, which is reflected in the balance sheet as a liability. The fair market value of the swaps as of December 31, 2017 is less than $0.1 million.

Bonding Capacity

We are generally required to provide various types of surety bonds that provide additional security to our customers for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends on our capitalization, working capital, past performance and external factors, including the capacity of the overall surety market. At December 31, 2017, our capacity under our current bonding arrangement was $500 million, with approximately $181 million of remaining availability. We believe our strong balance sheet and working capital position will allow us to continue to access our bonding capacity.

Effect of Inflation

We are subject to the effects of inflation through increases in the cost of raw materials, and other items such as fuel, concrete and steel. Due to the relative short-term duration of our projects, we are generally able to include anticipated price increases in the cost of our bids.

Off Balance Sheet Arrangements

Currently our only off balance sheet arrangements are operating leases to which we are a party, those discussed above under "Bonding Capacity" and "Sources of Capital" and those which arise in the normal course of business. These arrangements are not reasonably likely to have an effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors. See Note 17 – *Commitments and Contingencies* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

Contractual Obligations

The following table sets forth information about our contractual obligations and commercial commitments as of December 31, 2017:

		Payment Due by Period			
	Total	< 1 year	1-3 years	3-5 years	> 5 years
		(in thousands)			
Debt obligations	$ 88,750	$ 23,500	$ 65,250	$ —	$ —
Operating lease obligations	37,313	$ 7,371	11,924	5,071	$ 12,947
Purchase obligations (1)	—	—	—	—	—
Total	$ 126,063	$ 30,871	$ 77,174	$ 5,071	$ 12,947

(1) Commitments pursuant to other purchase orders and subcontracts related to construction contracts are not included since such amounts are expected to be funded under contract billings.

To manage risks of changes in the material prices and subcontracting costs used in tendering bids for construction contracts, we routinely obtain firm quotations from our suppliers and subcontractors before submitting a bid. These quotations do not include any quantity guarantees, and we have no obligation for materials or subcontract services beyond those required to complete the contracts that we are awarded for which quotations have been provided.

A summary of debt and other contractual obligations as of December 31, 2017 and December 31, 2016 is as follows:

	December 31, 2017	December 31, 2016
Credit facility, non-current maturities	$ 65,250	$ 84,750
Credit facility, current maturities	23,500	19,813
Total long-term debt	$ 88,750	$ 104,563
Outstanding letters of credits	$ 742	$ 1,311
Leasing arrangements	$ 37,313	$ 40,328
Other long-term liabilities	$ 3,573	$ 2,493

Recently Issued Accounting Pronouncements

See Note 2 - Summary of Significant Accounting Principles of the Notes to the Financial Statements (Part IV, Item 15 of this Form 10-K) for further discussion.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, our results of operations are subject to risks related to fluctuations in commodity prices and fluctuations in interest rates. Historically, our exposure to foreign currency fluctuations has not been material and has been limited to temporary field accounts located in foreign countries where we perform work. Foreign currency fluctuations were immaterial in this reporting period.

Commodity price risk
We are subject to fluctuations in commodity prices for concrete, steel products and fuel. Although we routinely attempt to secure firm quotes from our suppliers, we generally do not hedge against increases in prices for commodity products. Commodity price risks may have an impact on our results of operations due to the fixed-price nature of many of our contracts, although the short-term duration of our projects may allow us to include price increases in the costs of our bids.

Interest rate risk
At December 31, 2017, we had $88.8 million in outstanding borrowings under our credit facility, with a weighted average interest rate of 3.80%. Also we have entered into a series of receive-variable, pay-fixed interest rate swaps to hedge the variability in the interest payments on 50% of the aggregate principal amount of the term loan component of the credit facility outstanding, beginning with a notional amount of $67.5 million. At inception, these interest rate swaps were designated as a cash flow hedge for hedge accounting. Our objectives in managing interest rate risk are to lower our overall borrowing costs and limit interest rate changes on our earnings and cash flows. To achieve this, we closely monitor changes in interest rates and we utilize cash from operations to reduce our debt position, if warranted.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is submitted as a separate section beginning on page F-1 of this Annual Report on Form 10-K and is incorporated herein by reference.

Additionally, a two-year Summary of Selected Quarterly Financial Data (unaudited) is included in "*Selected Quarterly Financial Data"* under Item 6 - Selected Quarterly Financial Data.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures
We maintain a set of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our principal executive and financial officers have concluded that our disclosure controls and procedures were effective with reasonable assurance as of the end of such period.

Management's Report on Internal Control Over Financial Reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our

management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria described in *Internal Control — Integrated Framework* (2013)issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

KPMG LLP, an independent registered public accounting firm who audited the consolidated financial statements included in this Annual Report, has issued a report on our internal control over financial reporting dated March 13, 2018 and expressed an unqualified opinion on the effectiveness of our internal control over the financial reporting as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the Company's year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors, Executive Officers, Promoters and Control Persons

The information required by Paragraph (a), and Paragraphs (c) through (g) of Item 401 of Regulation S-K (except for information required by Paragraph (e) of that Item to the extent the required information pertains to our executive officers) and Item 405 of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

The following table presents the information required by Paragraph (b) of Item 401 of Regulation S-K.

Name	Age	Position with the Company	Year Joined the Registrant
Richard L. Daerr, Jr.	73	Chairman of the Board	2007
Thomas N. Amonett	74	Director	2007
J. Michael Pearson	70	Director	2006
Austin J. Shanfelter	61	Director	2007
Gene Stoever	80	Director	2007
Mark R. Stauffer	55	President, Chief Executive Officer and Director	1999
Peter R. Buchler	71	Executive Vice President, Chief Administrative Officer, Chief Compliance Officer, General Counsel and Secretary	2009
Christopher J. DeAlmeida	40	Executive Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer	2007

Code of Ethics

We have adopted a code of ethics for our chief executive, chief financial and principal accounting officers; a code of business conduct and ethics for members of our Board of Directors; and corporate governance guidelines. The full texts of the codes of ethics and corporate governance guidelines are available at our website www.oriongroupholdingsinc.com. Although we have never done so, in the event we make any amendment to, or grant any waiver from, a provision of the code of ethics that applies to the principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC rules, we will disclose such amendment or waiver and the reasons therefore on our website. We will provide any person without charge a copy of any of the aforementioned codes of ethics upon receipt of a written request. Requests should be addressed to: Orion Group Holdings, Inc. 12000 Aerospace Avenue, Suite 300, Houston, Texas 77034, Attention: Corporate Secretary.

Corporate Governance

The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 403 of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Report:

1. Financial Statements

The Company's Consolidated Financial Statements at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 and the notes thereto, together with the Report of the Independent Registered Public Accounting Firm on those Consolidated Financial Statements are hereby filed as part of this Report, beginning on page F-1.

2. Financial Statement Schedule

The following financial statement schedule of the Company for each of the three years in the period ended December 31, 2017 is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of the Company.

Schedule II – Schedule of Valuation and Qualifying Accounts

3. Exhibits

Exhibit Number	Description
2.1	Membership Interests Purchase Agreement dated August 5, 2015 by and among T.A.S. Holdings, LLC and Orion Concrete Construction, LLC (Schedules, exhibits and similar attachments to the Purchase Agreement that are not material have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish supplementally a copy of any omitted schedule, exhibit or similar attachment to the SEC upon request) (incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed with the Securities and Exchange Commission on August 7, 2015 (File No. 001-33891)).
2.2	First Amendment, effective June 17, 2016, to the Membership Interests Purchase Agreement dated August 5, 2015 (incorporated herein by reference to Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed with the Securities and Exchange Commission on August 5, 2016 (File No. 001-33891)).
2.3	Post Closing Supplemental Agreement Amendment, effective June 17, 2016, as a supplement to the Membership Interests Purchase Agreement dated August 5, 2015 (incorporated herein by reference to Exhibit 2.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed with the Securities and Exchange Commission on August 5, 2016 (File No. 001-33891)).
2.4	Stock Purchase Agreement dated April 9, 2017 by and among Anthony James Bagliore III and Lori Sue Bagliore and T.A.S. Commercial Concrete Construction, LLC (Schedules, exhibits and similar attachments to the Agreement that are not material have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish supplementally a copy of any omitted schedule, exhibit or similar attachment to the SEC upon request) (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 13, 2017 (File No. 1-33891)).
3 .1	Amended and Restated Certificate of Incorporation of Orion Group Holdings, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed with the Securities and Exchange Commission on August 5, 2016 (File No. 001-33891)).
3 .2	Amended and Restated Bylaws of Orion Group Holdings, Inc. (incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed with the Securities and Exchange Commission on August 5, 2016 (File No. 001-33891)).
4.1	Registration Rights Agreement by and between Friedman, Billings, Ramsey & Co., Inc. and Orion Marine Group, Inc. dated May 17, 2007 (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on August 20, 2007 (File No. 333-145588)).
† 10 .1	Form of Indemnity Agreement for Directors and Certain Officers dated November 24, 2008 (incorporated herein by reference to Exhibit 1.01 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 25, 2008 (File No. 001-33891)).
10 .2	Credit Agreement dated as of June 25, 2012 between Orion Marine Group, Inc. the lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent; Wells Fargo Securities, LLC as Sole Lead Arranger and Bookrunner (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form

10-Q for the quarter ended June 30, 2012 filed with the Securities and Exchange Commission on August 3, 2012) as amended by the Second Amendment to Credit Agreement, dated June 27, 2014 (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed with the Securities and Exchange Commission on August 1, 2014) (File No. 001-33891)).

† 10 .3 2005 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on August 20, 2007 (File No. 333-145588)).

† 10 .4 Form of Stock Option Agreement Under the 2005 Stock Incentive Plan & Notice of Grant of Stock Option (incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 filed August 20, 2007 (File No. 333-145588)).

† 10 .5 Form of Restricted Stock Agreement Under the 2005 Stock Incentive Plan & Notice of Grant of Restricted Stock (incorporated herein by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on August 20, 2007 (File No. 333-145588)).

† 10 .6 Orion Marine Group, Inc. Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on August 20, 2007 (File No. 333-145588)).

† 10 .7 Form of Stock Option Agreement Under the 2007 Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on August 20, 2007 (File No. 333-145588)).

† 10 .8 Form of Restricted Stock Agreement under the 2007 Long Term Incentive Plan and Notice of Grant of Restricted Stock (incorporated herein by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on August 20, 2007 (File No. 333-145588)).

† 10 .9 Orion Marine Group, Inc. 2011 Long Term Incentive Plan (incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 4, 2011 (File No. 001-33891)).

† 10.10 Form of Stock Option Agreement Under the 2011 Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2012 (File No. 001-33891)).

† 10.11 Form of Restricted Stock Agreement and Notice of Grant of Restricted Stock under the 2011 Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2012 (File No. 001-33891)).

† 10 .12 Executive Incentive Plan (incorporated herein by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed with the Securities and Exchange Commission on November 7, 2008 (File No. 001-33891)).

† 10 .13 Employment Agreement, dated December 4, 2009, by and between Orion Marine Group, Inc. and J. Michael Pearson (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2009), as amended by the Consolidated Amendment, dated February 26, 2014 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2014) (File No. 001-33891).

† 10 .14 Employment Agreement, dated January 1, 2011, by and between Orion Marine Group, Inc. and Mark Stauffer (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 filed with the Securities and Exchange Commission on August 5, 2011) as amended by the Consolidated Amendment, dated February 26, 2014 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2014) (File No. 001-33891).

†10 .16 Employment Agreement, dated December 11, 2009, by and between Orion Marine Group, Inc. and Peter R. Buchler (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 17, 2009 (File No. 001-33891)), as amended by (1) the First Amendment to Employment Agreement, dated June 30, 2011, (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 filed with the Securities and Exchange Commission on August 5, 2011) and (2) the Second Amendment to the Employment Agreement dated June 26, 2013 (incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 10-K filed with the Securities and Exchange Commission on March 27, 2014) (File No. 001-33891).

† 10 .17 Schedule of Changes to Compensation of Non-employee Directors, effective for 2009 (incorporated herein by reference to Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed with the Securities and Exchange Commission on August 6, 2009 (File No. 001-33891)).

† 10 .18 Amended and Restated Employment Agreement, dated February 26, 2014, by and between Orion Marine Group, Inc. and Christopher J. DeAlmeida (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2014 (File No. 001-33891)).

	10 .19	Real Estate Purchase and Sale Agreement (Jones Spoils Tracts, Harris County, TX) dated February 3, 2014, by and between PASADENA NITROGEN LLC, a Delaware limited liability company, as Seller, and CPB PROPERTIES, LLC, a Texas limited liability company, as Purchaser, and joined in by AGRIFOS HOLDINGS, INC., a Delaware corporation, effective February 26, 2014 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the Securities and Exchange Commission on March 4, 2014) (File No. 001-33891).
†	10 .20	Employment Agreement dated January 1, 2015 between Orion Marine Group, Inc. and Mark R. Stauffer as amended by the First Amendment to Employment Agreement, dated January 1, 2017 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2015)(File No. 001-33891).
†	10 .21	Employment Agreement dated January 1, 2015 between Orion Marine Group, Inc. and James L. Rose (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2015) (File No. 001-33891).
†	10 .22	Employment Agreement dated January 1, 2015 between Orion Marine Group, Inc. and Peter R. Buchler (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2015) (File No. 001-33891).
†	10 .23	Employment Agreement dated January 1, 2015 between Orion Marine Group, Inc. and Christopher J. DeAlmeida (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2015) (File No. 001-33891).
†	10 .24	Employment Agreement dated September 29, 2015 between Orion Marine Group, Inc. and L. Dwayne Breaux (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 1, 2015) (File No. 001-33891).
	10.25	Third Amendment to Credit Agreement as of June 15, 2015 by and among Orion Marine Group, Inc. as the Borrower and Wells Fargo Bank, N.A., acting as Administrative Agent for the Lenders (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed with the Securities and Exchange Commission on August 7, 2015 (File No. 001-33891)).
	10.26	Credit Agreement dated as of August 5, 2015 among Orion Marine Group, Inc. as Borrower, Certain Subsidiaries of the Borrower Party Hereto From Time to Time, as Guarantors, The Lenders Party Hereto, Regions Bank, as Administrative Agent and Collateral Agent, and Bank of America, N.A., BOKF, NA DBA Bank of Texas, and Branch Banking and Trust Company, as Co-Syndication Agents, Regions Capital Markets, a division of Regions Bank, as Lead Arranger and Book Manager (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed with the Securities and Exchange Commission on August 7, 2015 (File No. 001-33891)).
	10.27	First Amendment, effective March 31, 2016, to the Credit Agreement dated as of August 5, 2015, among Orion Marine Group, Inc. as Borrower, Certain Subsidiaries of the Borrower Party Hereto From Time To Time, as Guarantors, The Lenders Party Hereto, Regions Bank, as Administrative Agent and Collateral Agent, and Bank of America, N.A., BOKF, NA DBA Bank of Texas, and Branch Banking and Trust Company, as Co-Syndication Agents, Regions Capital Markets, a division of Regions Bank, as Lead Arranger and Book Manager (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31,2016, filed with the Securities and Exchange Commission on May 6, 2016 (File No. 001-33891)).
†	10.28	Amendment to Employment Agreement by and between Orion Group Holdings, Inc. and Mark Stauffer, effective January 1, 2017 (incorporated herein by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 20, 2017 (File No. 001-33891)).
†	10.29	Amendment to Employment Agreement by and between Orion Group Holdings, Inc. and Peter R. Buchler, effective April 1, 2017 (incorporated herein by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 5, 2017 (File No. 001-33891)).
†	10.30	Orion Group Holdings, Inc. 2017 Long-Term Incentive Plan (incorporated herein by reference to Appendix A to the Company’s Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on April 11, 2017 (File No. 001-33891)).
	10.31	Second amendment, effective June 30, 2017, to the Credit Agreement dated as of August 5, 2015 among Orion Marine Group, Inc. as Borrower, Certain Subsidiaries of the Borrower Party Hereto From Time to Time, as Guarantors, the Lenders Party Hereto, Regions Bank, as Administrative Agent and Collateral Agent, and Bank of America, N.A., BOKF, NA DBA Bank of Texas, and Branch Banking and Trust Company, as Co-syndication Agents, Regions Capital Markets, a division of Regions Bank, as Lead Arranger and Book Manager (incorporated herein by reference to Exhibit 10.3 to

the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the Securities and Exchange Commission on August 3, 2017 (File No. 1-33891)).

10.32	Third amendment, effective September 30, 2017, to the Credit Agreement dated as of August 5, 2015 among Orion Marine Group, Inc. as Borrower, Certain Subsidiaries of the Borrower Party Hereto From Time to Time, as Guarantors, the Lenders Party Hereto, Regions Bank, as Administrative Agent and Collateral Agent, and Bank of America, N.A., BOKF, NA DBA Bank of Texas, and Branch Banking and Trust Company, as Co-syndication Agents, Regions Capital Markets, a division of Regions Bank, as Lead Arranger and Book Manager (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed with the Securities and Exchange Commission on November 9, 2017 (File No. 001-33891)).
16.1	Letter to the Securities and Exchange Commission from Ernst & Young LLP, dated April 5, 2017 (incorporated herein by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 5, 2017 (File No. 001-33891)).
* 21 .1	List of Subsidiaries.
* 23.1	Consent of Independent Registered Public Accounting Firm -KPMG
* 23 .2	Consent of Independent Registered Public Accounting Firm - Ernst & Young.
* 23 .3	Consent of Independent Registered Public Accounting Firm - Grant Thornton.
24 .1	Power of Attorney (included on signature page of this filing).
* 31 .1	Certification of CEO pursuant to Section 302.
* 31 .2	Certification of CFO pursuant to Section 302.
* 32 .1	Certification of CEO and CFO pursuant to Section 906.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

*	Filed herewith
†	Management contract or compensatory plan or arrangement
(b)	Financial Statement Schedules

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ORION GROUP HOLDINGS, INC.

March 13, 2018 By: /s/ Mark R. Stauffer

Mark R. Stauffer
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Mark R. Stauffer Mark R. Stauffer	President, Chief Executive Officer and Director	March 13, 2018
/s/ Christopher J. DeAlmeida Christopher J. DeAlmeida	Chief Financial Officer Chief Accounting Officer	March 13, 2018
/s/ Richard L. Daerr, Jr. Richard L. Daerr, Jr.	Chairman of the Board	March 13, 2018
/s/ Thomas N. Amonett Thomas N. Amonett	Director	March 13, 2018
/s/ J. Michael Pearson J. Michael Pearson	Director	March 13, 2018
/s/ Austin J. Shanfelter Austin J. Shanfelter	Director	March 13, 2018
/s/ Gene Stoever Gene Stoever	Director	March 13, 2018

ORION GROUP HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

December 31, 2017

ORION GROUP HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Orion Group Holdings, Inc. and subsidiaries

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Orion Group Holdings, Inc. and its consolidated subsidiaries (the "Company") as of December 31, 2017, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the year ended December 31, 2017, and the related notes and financial statement schedule II (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 13, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2017.

Houston, Texas
March 13, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Orion Group Holdings, Inc. and subsidiaries

Opinion on Internal Control Over Financial Reporting

We have audited Orion Group Holdings, Inc.'s and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2017, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the year ended December 31, 2017, and the related notes and financial statement schedule II (collectively, the consolidated financial statements), and our report dated March 13, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Houston, Texas
March 13, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Orion Group Holdings, Inc. and subsidiaries

We have audited the accompanying consolidated balance sheets of Orion Group Holdings, Inc. and subsidiaries as of December 31, 2016, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for the year ended December 31, 2016. Our audit also included the financial statement schedule listed in the Index at Item 15(2).These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Orion Group Holdings, Inc. and subsidiaries at December 31, 2016, and the consolidated results of their operations and their cash flows for the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Orion Group Holdings, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)* and our report dated March 24, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
March 24, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Orion Group Holdings, Inc.

We have audited the accompanying consolidated balance sheet of Orion Group Holdings, Inc. (formerly Orion Marine Group, Inc.) (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2015 (not presented herein), and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity, and cash flows for the year then ended. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orion Group Holdings, Inc. (formerly Orion Marine Group, Inc.) and subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP
Houston, Texas
March 15, 2016

Orion Group Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2017 and 2016
(In Thousands, Except Share and Per Share Information)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,086	$ 305
Accounts receivable:		
Trade, net of allowance of $0 and $0, respectively	84,953	92,202
Retainage	39,189	40,201
Other current	3,706	4,634
Income taxes receivable	339	133
Inventory	4,386	5,392
Deferred tax asset	—	2,013
Costs and estimated earnings in excess of billings on uncompleted contracts	46,006	39,968
Assets held for sale	—	6,375
Prepaid expenses and other	4,124	3,885
Total current assets	191,789	195,108
Property and equipment, net	146,278	158,082
Accounts receivable, non-current	—	733
Inventory, non-current	4,915	3,998
Goodwill	69,483	66,351
Intangible assets, net of amortization	18,175	22,032
Other non-current	2,645	1,372
Total assets	$ 433,285	$ 447,676
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current debt, net of debt issuance costs	$ 22,756	$ 19,188
Accounts payable:		
Trade	45,194	49,123
Retainage	1,990	893
Accrued liabilities	17,873	19,946
Taxes payable	256	689
Billings in excess of costs and estimated earnings on uncompleted contracts	33,923	27,681
Total current liabilities	121,992	117,520
Long-term debt, net of debt issuance costs	63,185	82,077
Other long-term liabilities	3,573	2,493
Deferred income taxes	13,243	19,000
Interest rate swap liability	26	382
Total liabilities	202,019	221,472
Stockholders' equity:		
Preferred stock -- $0.01 par value, 10,000,000 authorized, none issued	—	—
Common stock -- $0.01 par value, 50,000,000 authorized, 28,860,961 and 28,405,850 issued; 28,149,737 and 27,694,626 outstanding at December 31, 2017 and December 31, 2016, respectively	288	283
Treasury stock, 711,231 and 711,231 shares, at cost December 31, 2017 and December 31, 2016,	(6,540)	(6,540)

respectively		
Other comprehensive loss	(26)	(382)
Additional paid-in capital	174,697	171,079
Retained earnings	62,847	61,764
Total stockholders' equity	231,266	226,204
Total liabilities and stockholders' equity	$ 433,285	$ 447,676

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

Orion Group Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
(In Thousands, Except Share and Per Share Information)

	Year ended December 31,		
	2017	**2016**	**2015**
Contract revenues	$ 578,553	$ 578,236	$ 466,498
Costs of contract revenues	511,663	510,754	426,316
Gross profit	66,890	67,482	40,182
Selling, general and administrative expenses	66,026	64,987	47,715
(Gain) loss from sale of assets, net	(674)	(1,579)	466
Operating income (loss)	1,538	4,074	(7,999)
Other (expense) income:			
Other income	41	59	536
Interest income	11	3	32
Interest expense	(5,731)	(6,175)	(3,148)
Other (expense) income, net	(5,679)	(6,113)	(2,580)
Loss before income taxes	(4,141)	(2,039)	(10,579)
Income tax (benefit) expense	(4,541)	1,581	(2,519)
Net income (loss)	$ 400	$ (3,620)	$ (8,060)
Basic income (loss) per share	$ 0.01	$ (0.13)	$ (0.29)
Diluted income (loss) per share	$ 0.01	$ (0.13)	$ (0.29)
Shares used to compute income (loss) per share			
Basic	28,029,936	27,536,967	27,366,528
Diluted	28,354,280	27,536,967	27,366,528

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

Orion Group Holdings, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(In Thousands)

	Year ended December 31,		
	2017	**2016**	**2015**
Net income (loss)	$ 400	$ (3,620)	$ (8,060)
Change in fair value of cash flow hedge, net of tax expense of $53, net of tax expense of $25, and benefit of $90 for the years ended December 31, 2017, 2016 and 2015, respectively	356	(237)	(145)
Total comprehensive income (loss)	$ 756	$ (3,857)	$ (8,205)

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

Orion Group Holdings, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
(In Thousands, Except Share and Per Share Information)

	Common Stock		Treasury Stock		Other Comprehensive Income (Loss)	Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance, January 1, 2015	27,969,783	$ 279	(361,231)	$ (3,439)	$ —	$ 166,433	$ 73,444	$ 236,717
Stock-based compensation	—	—	—	—	—	2,275	—	2,275
Exercise of stock options	3,970	—	—	—	—	28	—	28
Issuance of restricted stock	38,660	—	—	—	—	—	—	—
Forfeiture of restricted stock	(19,824)	—	—	—		—	—	—
Cash flow hedge, net of tax	—	—	—	—	(145)	—	—	(145)
Purchase of shares into treasury	—	—	(350,000)	(3,101)	—	—	—	(3,101)
Net loss	—	—	—	—	—	—	(8,060)	(8,060)
Balance, December 31, 2015	27,992,589	$ 279	(711,231)	$ (6,540)	$ (145)	$ 168,736	$ 65,384	$ 227,714
Stock-based compensation	—	—	—	—	—	2,280	—	2,280
Exercise of stock options	13,850	—	—	—	—	67	—	67
Issuance of restricted stock	407,002	4	—	—	—	(4)	—	—
Forfeiture of restricted stock	(7,591)	—	—	—	—	—	—	—
Cash flow hedge, net of tax	—	—	—	—	(237)	—	—	(237)
Net loss	—	—	—	—	—	—	(3,620)	(3,620)
Balance, December 31, 2016	28,405,850	$ 283	(711,231)	$ (6,540)	$ (382)	$ 171,079	$ 61,764	$ 226,204
Stock-based compensation	—	—	—	—	—	2,303	—	2,303
Deferred tax adjustment							683	683
Exercise of stock options	229,551	2	—	—	—	1,318	—	1,320
Issuance of restricted stock	345,913	3	—	—	—	(3)	—	—
Cash flow hedge, net of tax	—	—	—	—	356	—	—	356
Forfeiture of restricted stock	(120,353)	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	400	400
Balance, December 31, 2017	28,860,961	$ 288	(711,231)	$ (6,540)	$ (26)	$ 174,697	$ 62,847	$ 231,266

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

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Orion Group Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In Thousands)

	Year ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net income (loss)	$ 400	$ (3,620)	$ (8,060)
Adjustments to reconcile net income (loss) to net cash provided by			
Operating activities:			
Depreciation and amortization	29,491	34,162	28,083
Deferred financing cost amortization	1,269	1,225	462
Bad debt expense	—	—	22
Deferred income taxes	(4,166)	751	(2,885)
Stock-based compensation	2,303	2,280	2,275
(Gain) loss on sale of property and equipment	(674)	(1,579)	466
Change in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	15,022	(23,935)	(2,666)
Income tax receivable	(952)	(49)	249
Inventory	89	1,696	1,150
Accounts receivable, non-current	—	(511)	(222)
Prepaid expenses and other	(226)	856	(467)
Costs and estimated earnings in excess of billings on uncompleted contracts	(6,030)	19,640	(10,655)
Accounts payable	(5,666)	(5,717)	12,245
Accrued liabilities	(1,519)	(1,123)	1,658
Income tax payable	(433)	(125)	(1,097)
Billings in excess of costs and estimated earnings on uncompleted contracts	5,225	(802)	4,655
Deferred revenue	—	—	(34)
Net cash provided by operating activities	34,133	23,149	25,179
Cash flows from investing activities:			
Proceeds from sale of property and equipment	6,826	2,152	2,708
Purchase of property and equipment	(10,729)	(18,715)	(20,802)
Acquisition of TAS and purchase price adjustment	—	(369)	(110,344)
Acquisition of HITS, net	—	—	(357)
Acquisition of TBC	(6,000)	—	—
TBC acquisition adjustment	(557)	—	—
Insurance claim proceeds related to property and equipment	925	—	—
Contributions to CSV life insurance	(545)	(754)	—
Net cash used in investing activities	(10,080)	(17,686)	(128,795)
Cash flows from financing activities:			
Borrowings from Credit Facility	72,000	57,000	149,021
Payments made on borrowings from Credit Facility	(87,813)	(63,084)	(42,955)
Extinguishment of debt	—	—	(32,427)
Loan costs from Credit Facility	(779)	(486)	(4,498)
Exercise of stock options	1,320	67	28
Purchase of shares into treasury	—	—	(3,101)
Net cash (used in) provided by financing activities	(15,272)	(6,503)	66,068
Net change in cash and cash equivalents	8,781	(1,040)	(37,548)

Cash and cash equivalents at beginning of year	305	1,345	38,893
Cash and cash equivalents at end of year	$ 9,086	$ 305	$ 1,345
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 4,413	$ 5,031	$ 3,063
Taxes, net of refunds	$ 1,008	$ 999	$ 584

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

Orion Group Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended December 31, 2017, 2016 and 2015
(Tabular Amounts in thousands, Except Share and per Share Amounts)

1. Description of Business and Basis of Presentation

Description of Business

Orion Group Holdings, Inc., its subsidiaries and affiliates (hereafter collectively referred to as the "Company"), provide a broad range of specialty construction services in the infrastructure, industrial, and building sectors of the continental United States, Alaska, Canada and the Caribbean Basin. The Company's marine segment services the infrastructure sector through marine transportation facility construction, marine pipeline construction, marine environmental structures, dredging of waterways, channels and ports, environmental dredging, design, and specialty services. Its concrete segment services the building sector by providing turnkey concrete services including pour and finish, dirt work, layout, forming, rebar, and mesh across the light commercial structural and other associated business areas. The Company is headquartered in Houston, Texas with offices throughout its operating areas.

The tools used by the chief operating decision maker to allocate resources and assess performance are based on two reportable and operating segments: marine (formerly heavy civil marine construction), which operates under the Orion Marine Group brand and logo, and concrete (formerly commercial concrete construction), which operates under the TAS Commercial Concrete brand and logo.

Although we describe the business in this report in terms of the services the Company provides, its base of customers and the areas in which it operates, the Company has determined that its operations currently comprise two reportable segments pursuant to FASB ASC Topic 280 - *Segment Reporting*.

In making this determination, the Company considered the similar economic characteristics of its operations. For the marine construction segment, the methods used, and the internal processes employed, to deliver marine construction services are similar throughout the segment, including standardized estimating, project controls and project management. This segment has the same customers with similar funding drivers, and it complies with regulatory environments driven through Federal agencies such as the U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, EPA and OSHA, among others. Additionally, the segment is driven by macro-economic considerations including the level of import/export seaborne transportation, development of energy-related infrastructure, cruise line expansion and operations, marine bridge infrastructure development, waterway pipeline crossings and the maintenance of waterways. These considerations, and others, are key catalysts for future prospects and are similar across the segment.

For our concrete segment, the Company also considered the similar economic characteristics of these operations. The methods used, and the internal processes employed to deliver our concrete construction services are similar throughout the segment, including standardized estimating, project controls and project management. This segment complies with regulatory environments such as OSHA. Additionally, this segment is driven by macro-economic considerations, including movements in population, commercial real estate development, institutional funding and expansion, and recreational developments, specifically in metropolitan areas of Texas. These considerations, and others, are key catalysts for future prospects and are similar across the segment.

Basis of Presentation

These consolidated financial statements include the accounts of the parent company, Orion Group Holdings, Inc. and its wholly-owned subsidiaries and have been prepared in accordance with U.S. GAAP. All intercompany balances and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Principles

The preparation of consolidated financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates, judgments and assumptions are continually evaluated based on available information and experience; however, actual amounts could differ from those estimates.

On an ongoing basis, the Company evaluates the significant accounting policies used to prepare its consolidated financial statements, including, but not limited to, those related to:

- Revenue recognition from construction contracts;
- Accounts receivable and allowance for doubtful accounts;
- Goodwill and other long-lived assets, testing for indicators of impairment;
- Income taxes;
- Self-insurance; and
- Stock based compensation.

Revenue Recognition

For financial statement purposes, the Company records revenue on construction contracts using the percentage-of-completion method, measured by the percentage of actual contract costs incurred to date to total estimated costs for each contract. This method is used because management considers contract costs incurred to be the best available measure of progress on these contracts. Contract revenue is derived from the original contract price adjusted for agreed upon change orders. Contract costs include all direct costs, such as material and labor, and those indirect costs incurred that are related to contract performance such as payroll taxes and insurance. General and administrative costs are charged to expense as incurred. Incentive fees, if available, are billed to the customer based on terms and conditions of the contract. Pending claims are recognized as an increase in contract revenue only when the collection is deemed probable and if the amount can be reasonably estimated for purposes of calculating total profit or loss on long-term contracts. The Company records revenue and the unbilled receivable for project claims to the extent of costs incurred and to the extent management believes related collection is probable and includes no profit on claims recorded. As of December 31, 2017, the Company recognized claims of approximately $12.3 million with customers. The Company believes collection of these claims is probable, although the full amount of the recorded claims may not be collected. Changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and revenues and 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, without regard to the percentage of completion. Revenue is recorded net of any sales taxes collected and paid on behalf of the customer, if applicable.

The current asset “costs and estimated earnings in excess of billings on uncompleted contracts” represents revenues recognized in excess of amounts billed, which management believes will be billed and collected within one year of the completion of the contract. The liability “billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of revenues recognized.

The Company’s projects are typically short in duration, and usually span a period of less than one year. Historically, the Company has not had cause to combine or segment contracts.

Classification of Current Assets and Liabilities

The Company includes in current assets and liabilities amounts realizable and payable in the normal course of contract completion.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At times, cash held by financial institutions may exceed federally insured limits. The Company has not historically sustained losses on its cash balances in excess of federally insured limits. Cash equivalents at December 31, 2017 and 2016 consisted primarily of overnight bank deposits.

Risk Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of accounts receivable.

The Company depends on its ability to continue to obtain federal, state and local governmental contracts, and indirectly, on the amount of funding available to these agencies for new and current governmental projects. Therefore, a portion of the Company’s operations may be dependent upon the level and timing of government funding. Statutory mechanics liens provide the Company high priority in the event of lien foreclosures following financial difficulties of private owners, thus minimizing credit risk with private customers.

Accounts Receivable

Accounts receivable are stated at the historical carrying value, less allowances for doubtful accounts. The Company has significant investments in billed and unbilled receivables as of December 31, 2017 and 2016. Billed receivables represent amounts billed upon the completion of small contracts and progress billings on large contracts in accordance with contract terms and milestone achievements. Unbilled receivables on contracts, which are included in costs in excess of billings, arise as revenues are recognized under the percentage-of-completion method. Unbilled amounts on contracts represent recoverable costs and accrued profits not yet billed. Revenue associated with these billings is recorded net of any sales tax, if applicable. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. In establishing an allowance for doubtful accounts, the Company evaluates its contract receivables and costs in excess of billings and thoroughly reviews historical collection experience, the financial condition of its customers, billing disputes and other factors. The Company writes off uncollectible accounts receivable against the allowance for doubtful accounts if it is determined that the amounts will not be collected or if a settlement is reached for an amount that is less than the carrying value. As of December 31, 2017 and 2016, the Company had not recorded an allowance for doubtful accounts.

Balances billed to customers but not paid pursuant to retainage provisions in construction contracts generally become payable upon contract completion and acceptance by the owner. Retainage at December 31, 2017 totaled $39.2 million, of which $8.0 million is expected to be collected beyond 2018. Retainage at December 31, 2016 totaled $40.2 million.

The Company negotiates change orders and claims with its customers. Unsuccessful negotiations of claims could result in a change to contract revenue that is less than amounts recorded, which could result in the recording of a loss. Successful claims negotiations could result in the recovery of previously recorded losses. Significant losses on receivables could adversely affect the Company's financial position, results of operations and overall liquidity.

Advertising Costs

The Company primarily obtains contracts through the open bid process, and therefore advertising costs are not a significant component of expense. Advertising costs are expensed as incurred. Advertising expenses totaled $150,000, $178,000, and $114,000 in 2017, 2016 and 2015, respectively.

Environmental Costs

Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event the costs are capitalized. Environmental liabilities, if any, are recognized when the expenditure is considered probable and the amount can be reasonably estimated. The Company did not recognize any environmental liabilities as of December 31, 2017 or 2016, respectively.

Fair Value Measurements

The Company evaluates and presents certain amounts included in the accompanying consolidated financial statements at "fair value" in accordance with U.S. GAAP, which requires the Company to base its estimates on assumptions that market participants, in an orderly transaction, would use to price an asset or liability, and to establish a hierarchy that prioritizes the information used to determine fair value. Refer to Note 8 for more information regarding fair value determination.

The Company generally applies fair value valuation techniques on a non-recurring basis associated with (1) valuing assets and liabilities acquired in connection with business combinations and other transactions; (2) valuing potential impairment loss related to long-lived assets ; and (3) valuing potential impairment loss related to goodwill and indefinite-lived intangible assets.

Inventory

Current inventory consists of parts and small equipment held for use in the ordinary course of business and is valued at the lower of cost (using historical average cost) or net realizable value. Where shipping and handling costs are incurred by the Company, these charges are included in inventory and charged to cost of contract revenue upon use. Non-current inventory consists of spare parts (including engines, cutters and gears) that require special order or long-lead times for manufacture or fabrication, but must be kept on hand to reduce downtime. Refer to Note 7 for more information regarding inventory.

Property and Equipment

Property and equipment are recorded at cost. Ordinary maintenance and repairs that do not improve or extend the useful life of the asset are expensed as incurred. Major renewals and betterments of equipment are capitalized and depreciated generally over three to seven years until the next scheduled maintenance.

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in results of operations for the respective period. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets for financial statement purposes, as follows:

Automobiles and trucks	3 to 5 years
Buildings and improvements	5 to 30 years
Construction equipment	3 to 15 years
Vessels and other equipment	1 to 15 years
Office equipment	1 to 5 years

The Company generally uses accelerated depreciation methods for tax purposes where appropriate.

Dry-docking costs are capitalized and amortized using the straight-line method over a period ranging from three to 15 years. Dry-docking costs include, but are not limited to, the inspection, refurbishment and replacement of steel, engine components, tailshafts, mooring equipment and other parts of the vessel. Amortization related to dry-docking activities is included as a component of depreciation. These costs and the related amortization periods are periodically reviewed to determine if the estimates are accurate. If warranted, a significant upgrade of equipment may result in a revision to the useful life of the asset, in which case the change is accounted for prospectively.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an 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 in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or the fair value, less the costs to sell, and are no longer depreciated. There are no assets classified as held for sale as of December 31, 2017.

Goodwill and Other Intangible Assets

Goodwill

The Company has acquired businesses and assets in purchase transactions that resulted in the recognition of goodwill. Goodwill represents the costs in excess of fair values assigned to the identifiable assets acquired and liabilities assumed in the acquisition. In accordance with U.S. GAAP, acquired goodwill is not amortized, but is subject to impairment testing at least annually at a reporting unit level (as of October 31st of each year) or more frequently if events or circumstances indicate that the asset may be impaired. The Company determined that its operations comprise two reporting units for goodwill impairment testing, which match its two operating segments for financial reporting. Tests of impairment require a two-step process to be performed to analyze whether or not goodwill has been impaired. The first step of this test, used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount. The second step, if necessary, quantifies the impairment.

The Company assesses the fair value of its reporting units based on a weighted average of valuations based on market multiples, discounted cash flows, and consideration of its market capitalization. The key assumptions used in the discounted cash flow valuations are discount rates, weighted average cost of capital and perpetual growth rates applied to cash flow projections. Also inherent in the discounted cash flow valuation models are past performance, projections and assumptions in current operating plans and revenue growth rates over the next five years. These assumptions contemplate business, market and overall economic conditions. Other considerations are assumptions that market participants may use in analysis of comparable companies. The underlying assumptions used for determining fair value, as discussed above, require significant judgment and are susceptible to change from period to period and could potentially cause a material impact to the income statement. In the future, the Company's estimated fair value could be negatively impacted by extended declines in our stock price, changes in macroeconomic indicators, sustained operating losses and other factors which may affect our assessment of fair value.

See Note 9 for additional discussion of our goodwill and related goodwill impairment testing.

Intangible assets

Intangible assets that have finite lives are amortized. In addition, the Company evaluates the remaining useful life of intangible assets in each reporting period to determine whether events and circumstances warrant a revision of the remaining period of amortization. If the estimate of an intangible asset's remaining life is changed, the remaining carrying value of such asset is amortized prospectively over that revised remaining useful life. Intangible assets that have indefinite lives are not amortized, but are subject to impairment testing at least annually or more frequently if events or circumstances indicate that the asset may be impaired.

The Company has one indefinite-lived intangible asset, a trade name, which is tested for impairment annually on October 31st, or whenever events or circumstances indicate that the carrying amount of the trade name may not be recoverable. Impairment is calculated as the excess of the trade name's carrying value over its fair value. The fair value of the trade name is determined using the relief from royalty method, a variation of the income approach. This method assumes that if a company owns intellectual property, it does not have to "rent" the asset and is, therefore, "relieved" from paying a royalty. Once a supportable royalty rate is determined, the rate is then applied to the projected revenues over the expected remaining life of the intangible assets to estimate the royalty savings. This approach is dependent on a number of factors, including estimates of future growth and trends, royalty rates, discount rates and other variables.

See Note 9 for additional discussion of our intangible assets and trade name impairment testing.

Stock-Based Compensation

The Company recognizes compensation expense for equity awards over the vesting period based on the fair value of these awards at the date of grant. The computed fair value of these awards is recognized as a non-cash cost over the period the employee provides services, which is typically the vesting period of the award. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model requires the use of subjective assumptions in the computation. Changes in these assumptions can cause significant fluctuations in the fair value of the option award. The fair value of restricted stock grants is equivalent to the fair value of the stock issued on the date of grant, and is measured as the mean price of the stock on the day of grant.

Compensation expense is recognized only for share-based payments expected to vest. The Company estimates forfeitures at the date of grant based on historical experience and future expectations and this assessment is updated on a periodic basis. See Note 15 for further discussion of the Company's stock-based compensation plan.

Income Taxes

The Company determines its consolidated income tax provision using the asset and liability method prescribed by U.S. GAAP, which requires the recognition of income tax expense for the amount of taxes payable or refundable for the current period and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. The Company must make significant assumptions, judgments and estimates to determine its current provision for income taxes, its deferred tax assets and liabilities, and any valuation allowance to be recorded against any deferred tax asset. The current provision for income tax is based upon the current tax laws and the Company's interpretation of these laws, as well as the probable outcomes of any tax audits. The value of any net deferred tax asset depends upon estimates of the amount and category of future taxable income reduced by the amount of any tax benefits that the Company does not expect to realize. Actual operating results and the underlying amount and category of income in future years could render current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate, thus impacting the Company's financial position and results of operations. The Company computes deferred income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Under the liability method, 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.

On December 22, 2017, the Act was enacted and signed into law. The Act makes broad and complex changes to the U.S. tax code that significantly affected the Company's income tax rate in 2017. The Act, among other things, reduces the U.S. federal corporate income tax rate from 35% to 21%; limits the use of foreign tax credits to reduce U.S. income tax liability; eliminates the corporate alternative minimum tax ("AMT") and changes how existing AMT credits can be realized; allows immediate expensing for qualified assets; creates a new limitation on deductible interest expense; repeals the domestic production activities deduction; and limits the deductibility of certain executive compensation and other deductions.

Given the widespread applicability of these changes to most U.S. companies, the SEC issued Staff Accounting Bulletin 118 ("SAB 118") to assist registrants in addressing any uncertainty or diversity in views about the application of FASB ASC Topic 740, *"Income Taxes"* (ASC 740) in the period of enactment. SAB 118 provides registrants with the option of reporting a reasonable estimate for certain income tax effects of the Act in situations in which a company does not have the necessary information available, prepared or analyzed in reasonable detail to complete the accounting required under ASC 740. The reasonable estimate is reported as a provisional amount in the company's financial statements during a "measurement period."

The measurement period begins in the reporting period that includes the Act's enactment date (i.e. the Company's fourth quarter of 2017) and ends when a company has obtained, prepared and analyzed the information needed in order to complete the accounting requirements under ASC 740. The measurement period should not extend beyond one year from the enactment date (i.e. December 22, 2018). During the measurement period, a company is expected to act in good faith to complete the accounting under ASC 740. Appropriate disclosures will be made to address the Company's progress toward completing the accounting under the Act and ASC 740 during the measurement period as well as when the accounting is complete. See Note 13 for additional discussion regarding the Company's application of SAB 118.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740-10 which prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken, or expected to be taken, on its consolidated tax return. The Company evaluates and records any uncertain tax positions based on the amount that management deems is more likely than not to be sustained upon examination and ultimate settlement with the tax authorities in the tax jurisdictions in which it operates.

Insurance Coverage

The Company maintains insurance coverage for its business and operations. Insurance related to property, equipment, automobile, general liability, and a portion of workers' compensation is provided through traditional policies, subject to a deductible or deductibles. A portion of the Company's workers' compensation exposure is covered through a mutual association, which is subject to supplemental calls.

The marine segment maintains five levels of excess loss insurance coverage, totaling $200 million in excess of primary coverage. The marine segment's excess loss coverage responds to most of its policies when a primary limit of $1 million has been exhausted; provided that the primary limit for Contingent Maritime Employer's Liability is $10 million and the Watercraft Pollution Policy primary limit is $5 million. The concrete segment maintains five levels of excess loss insurance coverage, totaling $200 million in excess of primary coverage. The concrete segment's excess loss coverage responds to most of its policies when a primary limit of $1 million has been exhausted.

If a claim arises and a potential insurance recovery is probable, the impending gain is recognized separately from the related loss. The recovery will only be recognized up to the amount of the loss once the recovery of the claim is deemed probable and any excess gain will fall under contingency accounting and will only be recognized once it is realized. The Company does not net insurance recoveries against the related claim liability as the amount of the claim liability is determined without consideration of the anticipated insurance recoveries from third parties.

Separately, the Company's marine segment employee health care is provided through a trust administered by a third party. Funding of the trust is based on current claims. The administrator has purchased appropriate stop-loss coverage. Losses on these policies up to the deductible amounts are accrued based upon known claims incurred and an estimate of claims incurred but not reported. The accruals are derived from known facts, historical trends and industry averages to determine the best estimate of the ultimate expected loss. Actual claims may vary from estimates. Any adjustments to such reserves are included in the consolidated results of operations in the period in which they become known. The Company's concrete segment employee health care is provided through two policies. A fully funded policy is offered primarily to salaried employees and their dependents while a partially self-funded plan with an appropriate stop-loss is offered primarily to hourly employees and their dependents. The self-funded plan is funded to the maximum exposure and, as a result, expects to receive a partial refund after the policy expiration.

The accrued liability for insurance includes incurred but not reported claims of $5.2 million at December 31, 2017 and 2016, respectively.

Warranty Costs

Provision for estimated warranty costs, if any, is made in the period in which such costs become probable and is periodically adjusted to reflect actual experience. The Company historically has not been subject to significant warranty provisions and no such costs have been recorded in 2017, 2016 or 2015.

Reclassifications

Certain amounts in prior periods have been reclassified to conform with current period presentation. This includes an adjustment in prior periods to include debt issuance costs as a portion of debt on the balance sheet pursuant to the adoption of FASB Accounting Standard Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The Company also determined that a gain or loss on the sale of an asset should be included as part of operating income or loss instead of other expense or income on the income statement based on ASC 360-10-45-5. Finally, pursuant to guidance provided in the Act, the Company determined the amount of AMT credits should be included as part of non-current other assets instead of deferred tax assets on the balance sheet.

Recent Accounting Pronouncements

The FASB issues accounting standards and updates (each an "ASU") from time to time to its Accounting Standards Codification ("ASC"), which is the primary source of U.S. GAAP. The Company regularly monitors ASUs as they are issued and considers applicability to its business. All ASUs are adopted by their respective due dates and in the manner prescribed by the FASB. The following are those recently issued ASUs most likely to affect the presentation of the Company's consolidated financial statements:

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment.* The FASB issued this update to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The amendments in this update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. The guidance should be applied on a prospective basis and is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted and the Company does not anticipate that the changes will materially impact the financial statements unless a goodwill impairment is recognized in the future.

In February 2016, the FASB issued ASU 2016-02, *Leases (*Topic 842*)*. The Board issued this update to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company anticipates the most significant of the amendments to our organization to be the recognition of assets and liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. Under the new standard the Company will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods. In early 2017, the Company established a steering committee to analyze the potential impact of the new standard and identify potential differences that will result from adopting the standard. The Company is currently assessing the effects of adoption on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This comprehensive new revenue recognition standard will supersede existing revenue guidance under U. S. GAAP. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. Topic 606 will be effective for the Company beginning with its first quarter ending March 31, 2018.

The guidance permits two methods of adoption: (1) retrospectively to each prior reporting period presented and the cumulative effect would be recognized at the earliest period shown (i.e. the full retrospective method); or (2) retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (i.e the modified retrospective method). The Company will adopt the standard using the modified retrospective method which will involve recognizing in beginning retained earnings an adjustment for the cumulative effect of the change and will be applied to contracts with customers that are not substantially complete as of January 1, 2018.

The Company established a steering committee consisting of representatives from various business segments within the organization. The purpose of this committee was to analyze the impact of the new standard on the Company's business by reviewing the current revenue practices to identify potential differences that would result from applying the requirements of the new standard to revenue contracts. In addition, the Company analyzed the possibility of any necessary changes to current business processes, systems and controls to support recognition and disclosure under the new standard.

Based on its assessment of the new standard as of December 31, 2017, the Company will continue to recognize revenue over time, measuring progress using the cost-to-cost method. It does not expect Topic 606 to have a material impact on its concrete segment’s revenue. The most significant impact of Topic 606 will be related to its marine segment, specifically in the following areas:

- Multiple performance obligations - In accordance with Topic 606, construction contracts with customers, including those related to contract modifications will be reviewed to determine if there are multiple performance obligations. If separate performance obligations are identified, the timing of revenue recognition could be impacted. Based on our review of currently active construction contracts with customers, the Company identified certain contracts in the marine segment that have multiple performance obligations. However, based on its assessment, the Company does not believe the impact on retained earnings is material.
- Upfront costs - In accordance with Topic 606, these costs are required to be capitalized as an asset and amortized over the duration of the related contract. For the Company, such costs are generally comprised of costs incurred to mobilize equipment and labor to a job site or other upfront costs such as bonds or insurance, which are expensed as incurred under current accounting practices. The Company identified certain currently active construction contracts in the marine segment with upfront costs. However, based on its assessment, the Company does not believe the impact on retained earnings is material.

The Company also anticipates expanding our revenue recognition disclosure due to the new qualitative and quantitative requirements under the new standard, which may include a separate footnote.

During the periods presented in these financial statements, the Company implemented other new accounting pronouncements other than those noted above that are discussed in the notes where applicable.

3. Business Acquisitions

TBC Acquisition

On April 9, 2017, T.A.S. Commercial Concrete Construction, LLC, a wholly owned subsidiary of Orion Group Holdings, Inc. ("the Company") entered into a Stock Purchase Agreement ("the Agreement") for the purchase of all the issued and outstanding shares (the "shares") of Tony Bagliore Concrete, Inc. ("TBC"), a Texas corporation. The Company and the two sole shareholders of TBC closed the purchase transactions on April 10, 2017 (the "Closing Date"). Upon the terms of and subject to the conditions set forth in the Agreement, the total aggregate consideration paid on the Closing Date by the Company to the Sellers for the shares was $6.0 million in cash. In addition however, if certain target considerations are met in future periods, an additional cash payment of up to $2.0 million will become payable to the Seller.

The purpose of the acquisition was primarily to achieve growth by expanding the Company's current service offerings in addition to expansion into new markets. The tangible assets acquired include accounts receivable, retainage and fixed assets.

The allocation of the estimated acquisition consideration is preliminary because initial accounting for this business combination is incomplete. The preliminary allocation is based on estimates, assumptions, valuations and other studies which have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the acquisition consideration allocation purchase accounting adjustments will remain preliminary until the Company determines the final acquisition consideration allocation. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the combined consolidated financial statements and are subject to change and may result in an increase or decrease in goodwill, particularly with any other working capital adjustments during the measurement period. This measurement period may extend up to one year from the acquisition date.

Under the acquisition method of accounting, the total acquisition consideration is allocated to the acquired tangible and intangible assets and assumed liabilities of TBC based on their estimated fair values as of the closing of the acquisition. The table below outlines the total actual acquisition consideration allocated based on the preliminary fair values of TBC's tangible and intangible assets and liabilities as of April 9, 2017:

Accounts receivable	$	3,239
Retainage		1,860
Fixed assets, net		2,098
Other		9
Goodwill		2,562
Other intangible assets		878
Accounts payable		(2,017)
Accrued expenses and other current liabilities		(1,080)
Contingent consideration		(456)
Deferred tax liability		(1,093)
Total Acquisition Consideration at April 9, 2017	$	6,000
Working capital adjustment (all attributable to Goodwill)		557
Total Acquisition Consideration	$	6,557

The excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed was allocated to goodwill. The goodwill of $3.1 million arising from the acquisition consists primarily of synergies and business opportunities expected to be realized from the purchase of TBC. The goodwill is not deductible for income tax purposes.

Finite-lived intangible assets acquired include customer relationships and contractual backlog. (See Note 9).

The fixed assets acquired include construction equipment as well as automobiles and trucks and will be depreciated in accordance with Company policy, generally three to 15 years.

As stated in the Agreement, the Company has agreed to pay the sellers up to $2.0 million in cash, if earned, as additional purchase consideration. The seller's right to receive the contingent consideration, if any, shall be based on the Company's achievement of certain future financial targets. The Company measured the fair value of the contingent consideration at the Acquisition Date, and determined that fair value to be approximately $0.5 million, as shown in the table above. This amount of contingent liability is classified on the Consolidated Balance Sheets as other long-term liabilities.

Pro Forma Results (unaudited)

The results and operations of TBC have been included in the Consolidated Statements of Operations since the acquisition date of April 9, 2017. The Company has calculated the pro forma impact of the acquisition of TBC in our operating results for the twelve months ended December 31, 2016.

	Pro Forma Results	
	For the Year Ended December 31, 2016	
Contract revenues	$	610,695
Operating income from continuing operations	$	5,593
Net loss	$	(2,677)
Basic loss per share	$	(0.10)
Diluted loss per share	$	(0.10)

The Company derived the pro forma results of the acquisition based upon historical financial information obtained from the seller and certain management assumptions. The pro forma adjustments related to incremental amortization expense associated with the acquired finite-lived intangible assets and interest expense associated with borrowings to effect the transaction, assuming a January 1, 2016 effective transaction date. In addition, the tax impact of these adjustments was calculated at a 35% statutory rate.

These pro forma results are not indicative of the results that would have been obtained had the acquisition of TBC been completed on January 1 of the respective period, or that may be obtained in the future.

TAS Acquisition

On August 5, 2015, the Company completed its acquisition of all the issued and outstanding membership interests of T.A.S. Commercial Concrete Construction, LLC, T.A.S. Commercial Concrete Solutions, LLC, directly and indirectly all of the issued and outstanding membership interests of T.A.S. Proco, LLC, and 49% of the issued and outstanding membership interests of GLM Concrete Solutions, LLC, collectively known as "TAS" hereafter, which is headquartered in Houston, Texas, for approximately $112 million in cash. The purpose of the acquisition was primarily to achieve growth by expanding the Company's current service offerings in addition to expansion into new markets. The tangible assets acquired include accounts receivable, prepaid assets, work in progress and fixed assets. The excess acquisition consideration over the fair value of assets acquired and liabilities assumed was allocated to goodwill. The goodwill of $32.6 million, which included $0.4 million recorded in June 2016 for certain adjustments to post-closing items, arising from the acquisition consists primarily of synergies and business opportunities expected to be realized from the purchase of TAS. Goodwill for tax purposes is $32.6 million, which is amortizable over a 15-year period.

Pro Forma Results (unaudited)

The Company has calculated the pro forma impact of the acquisition of TAS in our operating results for the twelve months ended December 31, 2015. The following pro forma results give effect to this acquisition, assuming the transaction occurred on January 1 of the respective period.

	Pro Forma Results For the Year Ended December 31, 2015
Contract Revenues	$ 602,537
Operating income from continuing operations	$ 1,541
Net Income	$ 1,311
Basic earnings per share	$ 0.05
Diluted earnings per share	$ 0.05

The Company derived the pro forma results of the acquisition based upon historical financial information obtained from the sellers and certain management assumptions. The pro forma adjustments related to incremental amortization expense associated with the acquired finite-lived intangible assets and interest expense associated with borrowings to effect the transaction, assuming a January 1, 2015 effective transaction date. In addition, the tax impact of these adjustments was calculated at a 35% statutory rate.

These pro forma results are not indicative of the results that would have been obtained had the acquisition of TAS been completed on January 1 of the respective period, or that may be obtained in the future.

4. Concentration of Risk and Enterprise Wide Disclosures

Accounts receivable include amounts billed to governmental agencies and private customers and do not bear interest. Balances billed to customers but not paid pursuant to retainage provisions generally become payable upon contract completion and acceptance by the owner. The table below presents the concentrations of current receivables (trade and retainage) at December 31, 2017 and December 31, 2016, respectively:

	December 31, 2017		December 31, 2016	
Federal Government	$ 3,509	3%	$ 5,542	4%
State Governments	4,503	3%	9,302	7%
Local Governments	18,256	15%	20,886	16%
Private Companies	97,874	79%	96,673	73%
Total receivables	$ 124,142	100%	$ 132,403	100%

At December 31, 2017 and 2016, no single customer accounted for more than 10.0% of total current receivables.

Additionally, the table below represents concentrations of contract revenue by type of customer for the years ended December 31, 2017, 2016 and 2015.

	2017	%	2016	%	2015	%
Federal Government	$ 63,823	11%	$ 40,361	7%	$ 45,439	10%
State Governments	42,613	7%	37,700	7%	42,026	9%
Local Governments	91,592	16%	94,461	16%	130,187	28%
Private Companies	380,525	66%	405,714	70%	248,846	53%
Total contract revenues	$ 578,553	100%	$ 578,236	100%	$ 466,498	100%

In the years ended December 31, 2017, 2016 and 2015, no single customer exceeded 10.0% of total contract revenues.

The Company does not believe that the loss of any one of these customers would have a material adverse effect on the Company or its subsidiaries and affiliates since no single specific customer sustains such a large portion of receivables or contract revenue over time.

In addition, the concrete segment primarily purchases concrete from select suppliers. The loss of one of these suppliers could adversely impact short-term operations.

Contract revenues generated outside the United States totaled 1.6%, 1.3% and 4.1% of total revenues for the years ended December 31, 2017, 2016 and 2015, respectively, and were primarily located in the Caribbean Basin and Mexico.

5. Contracts in Progress

Contracts in progress are as follows at December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Costs incurred on uncompleted contracts	$ 668,848	$ 802,140
Estimated earnings	120,751	143,975
	789,599	946,115
Less: Billings to date	(777,516)	(933,828)
	$ 12,083	$ 12,287
Included in the accompanying consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	46,006	$ 39,968
Billings in excess of costs and estimated earnings on uncompleted contracts	(33,923)	(27,681)
	$ 12,083	$ 12,287

Included in cost and estimated earnings in excess of billings on uncompleted projects is approximately $12.3 million related to claims and unapproved change orders. See Note 2 - Summary of Significant Accounting Principles to the Company's consolidated financial statements for discussion of these claims.

Contract costs include all direct costs, such as materials and labor, and those indirect costs incurred that are related to contract performance such as payroll taxes and insurance. General and administrative costs are charged to expense as incurred. Incentive fees, if available, are billed to the customer based on the terms and conditions of the contract. Pending claims are recognized as an increase in contract revenue only when the collection is deemed probable and if the amount can be reasonably estimated for purposes of calculating total profit or loss on long-term contracts. Changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and revenues and 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, without regard to the percentage of completion.

6. Property and Equipment

The following is a summary of property and equipment at December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Automobiles and trucks	$ 1,940	$ 2,525
Building and improvements	38,062	37,269
Construction equipment	166,203	165,023
Vessels and other equipment	85,113	88,659
Office equipment	8,039	7,125
	299,357	300,601
Less: accumulated depreciation	(191,407)	(181,293)
Net book value of depreciable assets	107,950	119,308
Construction in progress	245	543
Land	38,083	38,231
	$ 146,278	$ 158,082

For the years ended December 31, 2017, 2016 and 2015, depreciation expense was $24.8 million, $26.9 million and $23.7 million, respectively. Substantially all depreciation expense is included in the cost of contract revenue in the Company's Consolidated Statements of Operations. Substantially all of the assets of the Company are pledged as collateral under the Company's Credit Agreement (as defined in Note 11).

Substantially all of the Company's long-lived assets are located in the United States.

During 2015, the Company committed to a plan to review property and equipment within the marine segment and adopted a plan to dispose of underutilized assets. In connection with this disposal, the Company determined that the carrying value of certain of these assets exceeded its fair value, and consequently, the Company recorded an impairment loss of $1.7 million on those assets during 2015, which included any expected costs to sell. Additionally, various other assets were identified as underutilized and were sold for salvage value. The Company recorded an impairment loss of $0.9 million on those assets. These losses are recorded in the "Other expense" section of the Consolidated Statements of Operations during the year ended December 31, 2015.

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or the fair value, less the costs to sell, and are no longer depreciated. Approximately $6.4 million were classified as held for sale on the Company's Consolidated Balance Sheet at December 31, 2016. During the year ended December 31, 2017, approximately $5.4 million of these assets were sold for cash of $4.5 million. The difference of $0.9 million is classified as a loss on the sale of assets on the Consolidated Statements of Operations. The remaining assets held for sale of $1.0 million was classified as a total loss as a result of Hurricane Harvey. Insurance claims of approximately $0.9 million were received in the fourth quarter of 2017. The difference of $0.1 million is classified as a loss on disposal of assets on the Consolidated Statements of Operations. No assets remained as held for sale on the Company's Consolidated Balance Sheet at December 31, 2017.

7. Inventory

Current inventory at December 31, 2017 and December 31, 2016, of $4.4 million and $5.4 million, respectively, consisted primarily of spare parts and small equipment held for use in the ordinary course of business.

Non-current inventory at December 31, 2017 and December 31, 2016 totaled $4.9 million and $4.0 million, respectively, and consisted primarily of spare engine components or items which require longer lead times for sourcing or fabrication for certain of the Company's assets to reduce equipment downtime.

8. Fair Value

Recurring Fair Value Measurements

The fair value of financial instruments is the amount at which the instrument could be exchanged in a current transaction between willing parties. Due to their short-term nature, the Company believes that the carrying value of its accounts receivable, other current assets, accounts payable and other current liabilities approximate their fair values.

The Company classifies financial assets and liabilities into the following three levels based on the inputs used to measure fair value in the order of priority indicated:

- Level 1- fair values are based on observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2 - fair values are based on pricing inputs other than quoted prices in active markets for identical assets and liabilities and are either directly or indirectly observable as of the measurement date; and
- Level 3- fair values are based on unobservable inputs in which little or no market data exists.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value requires judgment and may affect the placement of assets and liabilities within the fair value hierarchy levels.

The following table sets forth by level within the fair value hierarchy the Company's recurring financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2017 and December 31, 2016:

			Fair Value Measurements		
		Carrying Value	Level 1	Level 2	Level 3
December 31, 2017					
Assets:					
Cash surrender value of life insurance policy	$	1,712	—	1,712	—
Liabilities:					
Derivatives	$	38	—	38	—
December 31, 2016					
Assets:					
Cash surrender value of life insurance policy	$	1,188	—	1,188	—
Liabilities:					
Derivatives	$	447	—	447	—

The Company's derivatives, which are comprised of interest rate swaps, are valued using a discounted cash flow analysis that incorporates observable market parameters, such as interest rate yield curves and credit risk adjustments, that are necessary to reflect the probability of default by us or the counterparty. These derivatives are classified as a Level 2 measurement within the fair value hierarchy. See Note 11 for additional information on the Company's derivative instrument.

Our concrete segment has life insurance policies covering four employees with a combined face value of $11.1 million. The policies are invested in mutual funds and the fair value measurement of the cash surrender balance associated with these policies is determined using Level 2 inputs within the fair value hierarchy and will vary with investment performance. These assets are included in the "Other noncurrent" asset section in the Company's Consolidated Balance Sheets.

Non-Recurring Fair Value Measurements

The Company generally applies fair value valuation techniques on a non-recurring basis associated with (1) valuing assets and liabilities acquired in connection with business combinations and other transactions; (2) valuing potential impairment loss related to long-lived assets; and (3) valuing potential impairment loss related to goodwill and indefinite-lived intangible assets.

Other Fair Value Measurements

The fair value of the Company's debt at December 31, 2017 and 2016 approximated its carrying value of $88.8 million and $104.6 million, respectively, as interest is based on current market interest rates for debt with similar risk and maturity. If the Company's debt was measured at fair value, it would have been classified as Level 2 in the fair value hierarchy.

9. Goodwill and Intangible Assets

Goodwill

The table below summarizes changes in goodwill recorded by the Company during the periods ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Beginning balance, January 1	$ 66,351	$ 65,982
Additions	3,132	369
Ending balance	$ 69,483	$ 66,351

At December 31, 2017, goodwill totaled $69.5 million, of which $33.8 million relates to the marine segment and $35.7 million relates to the concrete segment.

Additions to goodwill in 2017 were attributable to the acquisition of TBC. The additions above represent goodwill calculated for the acquisition at the date of closing, plus the working capital adjustment which was all attributable to goodwill. Additions to goodwill in 2016 were attributable to the acquisition of TAS (See Note 3).

As discussed previously in Note 2, goodwill is reviewed at a reporting unit level for impairment annually as of October 31 or whenever circumstances arise that indicate a possible impairment might exist. Test of impairment requires a two-step process to be performed to analyze whether or not goodwill has been impaired. Step one of the October 31, 2017 goodwill impairment test resulted in no indication of impairment for either reporting unit, and no events have occurred since that date that would require an interim impairment test. The discount rate used in testing goodwill for impairment for the marine segment was 35.0%, and the fair value of the reporting unit exceeded carrying value by 12.8%. The fair value of the marine reporting unit was $212.0 million, and the carrying value was $188.0 million. The discount rate used in testing goodwill for impairment for the concrete reporting unit was 30.0%, and the fair value of the reporting unit exceeded carrying value by 13.7%. The fair value of the concrete reporting unit was $153.0 million, and the carrying value was $134.5 million.

Intangible assets

The tables below present the activity and amortizations of finite-lived intangible assets:

	December 31, 2017	December 31, 2016
Intangible assets, January 1	$ 34,362	$ 34,362
Additions	878	—
Total intangible assets, end of year	35,240	34,362
Accumulated amortization, January 1	$ (19,220)	$ (11,933)
Current year amortization	(4,736)	(7,287)
Total accumulated amortization	(23,956)	(19,220)
Net intangible assets, end of year	$ 11,284	$ 15,142

Finite-lived intangible assets were acquired as part of the purchase of TBC, which included contractual backlog and customer relationships. Contractual backlog was valued at approximately $0.1 million and was amortized over seven months in 2017. Customer relationships were valued at approximately $0.7 million and will be amortized over seven years. Both of these assets

will be amortized using an accelerated method based on the pattern in which the economic benefits of the assets are consumed. For the year ended December 31, 2017, $4.7 million of amortization expense was recognized for these assets. In 2017 and 2016, the Company evaluated the useful lives of these finite-lived intangible assets and no change was needed. Future expense remaining of approximately $11.3 million will be amortized as follows:

2018	$	3,389
2019		2,640
2020		2,069
2021		1,521
2022		1,239
Thereafter		426
	$	11,284

Additionally, the Company has one indefinite-lived intangible asset, a trade name, which is tested for impairment annually on October 31, or whenever events or circumstances indicate that the carrying amount of the trade name may not be recoverable. Impairment is calculated as the excess of the trade name's carrying value over its fair value. The fair value of the trade name is determined using the relief from royalty method, a variation of the income approach. This method assumes that if a company owns intellectual property it does not have to "rent" the asset and is, therefore, "relieved" from paying a royalty. Once a supportable royalty rate is determined, the rate is then applied to the projected revenues over the expected remaining life of the intangible assets to estimate the royalty savings. This approach is dependent on a number of factors, including estimates of future growth and trends, royalty rates, discount rates and other variables. The impairment test concluded that the fair value of the trade name was $9.2 million, and the carrying value was $6.9 million, therefore no impairment was recorded.

10. Accrued Liabilities

Accrued liabilities at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Accrued salaries, wages and benefits	$ 9,632	$ 10,818
Accrual for insurance liabilities	5,233	5,223
Property taxes	513	1,615
Sales taxes	1,836	1,722
Interest	46	19
Other accrued expenses	613	549
	$ 17,873	$ 19,946

11. Long-term Debt and Line of Credit

The Company entered into a syndicated credit agreement (the "Credit Agreement") on August 5, 2015 with Regions Bank, as administrative agent and collateral agent, and the following co-syndication agents: Bank of America, N.A., BOKF, NA dba Bank of Texas, Branch Banking & Trust Company, Frost Bank, Bank Midwest, a division of NBH Bank, N.A., IBERIABANK, KeyBank NA, Trustmark National Bank, and First Tennessee Bank NA. The primary purpose of the Credit Agreement was to finance the acquisition of TAS, to provide a revolving line of credit and to provide financing to extinguish all prior indebtedness with Wells Fargo Bank, National Associates, as administrative agent, and Wells Fargo Securities, LLC.

The Credit Agreement, which may be amended from time to time, provides for borrowings under a revolving line of credit and swingline loans with a commitment amount of $50.0 million and a term loan with a commitment amount of $135.0 million (together, the "Credit Facility"). The Credit Facility is guaranteed by the subsidiaries of the Company, secured by the assets of the Company, including stock held in its subsidiaries, and may be used to finance general corporate and working capital purposes, to finance capital expenditures, to refinance existing indebtedness, to finance permitted acquisitions and associated fees, and to pay for all related expenses to the Credit Facility. Interest is due and is computed based on the designation of the loan, with the option of a Base Rate Loan (the base rate plus the Applicable Margin), or an Adjusted LIBOR Rate Loan (the adjusted LIBOR rate plus the Applicable Margin). Interest is due on the last day of each quarter end for Base Rate Loans and at the end of the LIBOR rate period for Adjusted LIBOR Rate Loans. The rate for all loans, at the time of loan origination was 4.75%. Principal balances drawn under the Credit Facility

may be prepaid at any time, in whole or in part, without premium or penalty. Amounts repaid under the revolving line of credit may be re-borrowed. The Credit Facility matures on August 5, 2020.

Total debt issuance costs, which included underwriter fees, legal fees and syndication fees were approximately $4.5 million. During the first quarter of 2016, the Company executed the First Amendment of the Credit Agreement and additional costs were incurred of approximately $0.5 million. During the second quarter of 2017, the Company executed the Second Amendment of the Credit Agreement and during the third quarter of 2017, the Company executed the Third Amendment of the Credit Agreement. Additional costs were incurred of approximately $0.2 million and $0.6 million, respectively.

During the first quarter of 2016, the Company adopted ASU 2015-03, *Interest - Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs*. Upon adoption of this guidance, debt issuance costs are now presented as a direct deduction from the carrying amount of the debt liability, of which $0.7 million was allocated to current debt and $2.1 million was allocated to long-term debt as of December 31, 2017. As of December 31, 2016, $0.6 million was allocated to current debt and $2.7 million was allocated to long-term debt. The debt issuance costs are amortized using the effective interest rate method over the duration of the loans.

The weighted average interest rate for the Credit Facility as of December 31, 2017 was 3.80%.

The Company's obligations under debt arrangements consisted of the following:

	December 31, 2017			December 31, 2016		
	Principal	Debt Issuance Costs[1]	Total	Principal	Debt Issuance Costs[1]	Total
Revolving line of credit	$ 10,000	$ (317)	$ 9,683	$ 8,000	$ (252)	$ 7,748
Term loan - current	13,500	(427)	13,073	11,813	(373)	11,440
Total current debt	23,500	(744)	22,756	19,813	(625)	19,188
Term loan - long-term	65,250	(2,065)	63,185	84,750	(2,673)	82,077
Total debt	$ 88,750	$ (2,809)	$ 85,941	$ 104,563	$ (3,298)	$ 101,265

(1) Total debt issuance costs, include underwriter fees, legal fees, syndication fees, and fees related to the execution of the First, Second, and Third Amendments to the Credit Agreement as previously discussed.

Provisions of the revolving line of credit and accordion

The Company has a maximum borrowing availability under the revolving line of credit and swingline loans (as defined in the Credit Agreement) of $50.0 million. The letter of credit sublimit is equal to the lesser of $20.0 million and the aggregate unused amount of the revolving commitments then in effect. The swingline sublimit is equal to the lesser of $5.0 million and the aggregate unused amount of the revolving commitments then in effect.

Revolving loans may be designated as Base Rate Loan or Adjusted LIBOR Rate Loans, at the Company's request, and must be made in an aggregate minimum amount of $1.0 million and integral multiples of $250,000 in excess of that amount. Swingline loans must be made in an aggregate minimum amount of $250,000 and integral multiples of $50,000 in excess of that amount. The Company may convert, change, or modify such designations from time to time.

The Company is subject to a commitment fee for the unused portion of the maximum available to borrow under the revolving line of credit. The commitment fee, which is due quarterly in arrears, is equal to the Applicable Margin of the actual daily amount by which the Aggregate Revolving Commitments exceeds the Total Revolving Outstanding. The revolving line of credit termination date is the earlier of the Credit Facility termination date, August 5, 2020, or the date the outstanding balance is permanently reduced to zero. The Company has the intent and ability to repay the amounts outstanding on the revolving credit facility within one year, therefore, any outstanding balance as of December 31, 2017 and 2016 has been classified as current.

As of December 31, 2017, the outstanding balance on the revolving line of credit was $10.0 million and was designated as an Adjusted LIBOR Rate Loan at a rate of 5.0%. There were also $0.7 million in outstanding letters of credit as of December 31, 2017, which reduced the maximum borrowing availability on the revolving line of credit to $39.3 million as of December 31, 2017. During 2017, the Company drew down $72.0 million and made payments of $70.0 million on the revolving line of credit.

Provisions of the term loan

The original principal amount of $135.0 million for the term loan commitment is paid off in quarterly installment payments (as stated in the Credit Agreement). At December 31, 2017, the outstanding term loan component of the Credit Facility totaled $78.8 million and was secured by specific assets of the Company. The table below outlines the total remaining payment amounts annually for the term loan through maturity of the Credit Facility:

2018	13,500
2019	15,188
2020	50,062
	$ 78,750

The Company made the scheduled quarterly principal payments of $11.8 million and additional payments of $6.0 million during 2017, which reduced the outstanding principal balance to $78.8 million at December 31, 2017. The current portion of debt is $13.5 million and the non-current portion is $65.3 million. As of December 31, 2017, the term loan was designated as an Adjusted LIBOR Rate Loan with an interest rate of 5.13%.

Financial covenants

Restrictive financial covenants under the Credit Facility include:

- A consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter to not be less than 1.25 to 1.00.
- A consolidated Leverage Ratio to not exceed the following during each noted period:
  -Closing Date through and including December 31, 2015, to not exceed 3.25 to 1.00;
  -Fiscal Quarter Ending March 31, 2016, to not exceed 4.00 to 1.00;
  -Fiscal Quarter Ending June 30, 2016, to not exceed 3.75 to 1.00;
  -Fiscal Quarter Ending September 30, 2016, to not exceed 3.25 to 1.00.
  -Fiscal Quarter Ending December 31, 2016, to not exceed 3.00 to 1.00;
  -Fiscal Quarter Ending March 31, 2017, to not exceed 2.75 to 1.00;
  -Fiscal Quarter Ending June 30, 2017, to not exceed 2.75 to 1.00;
  -Fiscal Quarter Ending September 30, 2017, to not exceed 3.00 to 1.00;
  -Fiscal Quarter Ending December 31, 2017 and each Fiscal Quarter Thereafter, to not exceed 3.00 to 1.00.

As of December 31, 2017, the Company was in compliance with all financial covenants.

In addition, the Credit Facility contains events of default that are usual and customary for similar arrangements, including non-payment of principal, interest or fees; breaches of representations and warranties that are not timely cured; violation of covenants; bankruptcy and insolvency events; and events constituting a change of control.

The Company expects to meet its future internal liquidity and working capital needs, and maintain or replace its equipment fleet through capital expenditure purchases and major repairs, from funds generated by its operating activities for at least the next 12 months. The Company believes that its cash position and available borrowings together with cash flow from its operations is adequate for general business requirements and to service its debt.

Derivative Financial Instruments

On September 16, 2015, the Company entered into a series of receive-variable, pay-fixed interest rate swaps to hedge the variability in the interest payments on 50% of the aggregate principal amount of the Regions Term Loan outstanding, beginning with a notional amount of $67.5 million. There are a total of five sequential interest rate swaps to achieve the hedged position and each year on August 31, with the exception of the final swap, the existing interest rate swap is scheduled to expire and will be immediately replaced with a new interest rate swap until the expiration of the final swap on July 31, 2020. At inception, these interest rate swaps were designated as a cash flow hedge for hedge accounting, and as such, the effective portion of unrealized changes in market value are recorded in accumulated other comprehensive income (loss) and reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Gains and losses from hedge ineffectiveness are recognized in current earnings. The change in fair market value of the swaps as of December 31, 2017 is less than $0.1 million, which is reflected in the balance sheet as a liability. The fair market value of the swaps as of December 31, 2017 is less than $0.1 million. See Note 8 for more information regarding the fair value of the Company's derivative instruments.

12. Purchase of Common Shares

In October 2014, the Board of Directors of the Company approved a common share repurchase program that authorized the repurchase of up to $40.0 million in open market value. The shares may be repurchased over time, depending on market conditions, the market price of the Company's common shares, the Company's capital levels, the Company's capital needs, securities laws and limitations and other considerations. The share repurchase program is expected to expire five years from the date the program was approved. As of December 31, 2015, the Company repurchased 350,000 shares at an average price of $8.83. The Company did not repurchase any shares during 2016 or 2017.

13. Income Taxes

On December 22, 2017, the Act was enacted and signed into law. The Act makes broad and complex changes to the U.S. tax code that significantly affected the Company's income tax rate in 2017. The Act, among other things, reduces the U.S. federal corporate income tax rate from 35% to 21%; limits the use of foreign tax credits to reduce U.S. income tax liability; eliminates the corporate AMT and changes how existing AMT credits can be realized; allows immediate expensing for qualified assets; creates a new limitation on deductible interest expense; repeals the domestic production activities deduction; and limits the deductibility of certain executive compensation and other deductions.

ASC 740 requires a company to record the effects of a tax law change in the period of enactment. SAB 118 has provided guidance for companies that have not completed their accounting for the income tax effect of the Act in the period of enactment, allowing for a measurement period of up to one year after the enactment date in order to finalize the recording of the related tax impacts. As of December 31, 2017, the Company has made a reasonable estimate of the impact of the Act and recorded a net tax benefit of $5.9 million, or $0.21 per share, as part of its income tax benefit for the year. Although the $5.9 million represents a reasonable estimate of the impact of the Act, it should be considered provisional. The impact of the Act may differ from this estimate due to additional guidance that may be issued, changes in assumptions made and the finalization of U.S. income tax positions with the filing of the Company's 2017 U.S. income tax return which will allow for the ability to conclude whether any further adjustments are necessary to its deferred tax assets and liabilities. Any adjustments to these provisional amounts will be reported as a component of income tax (benefit) expense in the reporting period in which any such adjustments are identified and no later than the fourth quarter of 2018. The Company will continue to analyze the Act in order to finalize any related impacts within the measurement period.

The following table presents the components of our consolidated income tax (benefit) expense for the years ended December 31, 2017, 2016 and 2015:

	Current	Deferred	Total
Year ended December 31, 2017			
U.S. Federal [(a)]	$ (780)	$ (3,986)	$ (4,766)
State and local	550	$ (180)	$ 370
Foreign	(145)	—	(145)
	$ (375)	$ (4,166)	$ (4,541)
Year ended December 31, 2016			
U.S. Federal	$ 35	$ (1,093)	$ (1,058)
State and local	511	1,519	2,030
Foreign	284	325	609
	$ 830	$ 751	$ 1,581
Year ended December 31, 2015			
U.S. Federal	$ 3	$ (3,768)	$ (3,765)
State and local	(60)	883	823
Foreign	423	—	423
	$ 366	$ (2,885)	$ (2,519)

(a) Includes a $5.9 million net benefit recorded in the fourth quarter of 2017 resulting from the enactment of the Act on December 22, 2017.

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The Company's income tax provision reconciles to the provision at the statutory U.S. federal income tax rate for each year ended December 31, as follows:

	2017	2016	2015
Statutory amount (computed at 35%)	$ (1,449)	$ (714)	$ (3,703)
Re-measurement of deferred tax assets [(a)]	(7,451)	—	—
Valuation allowance on foreign tax credits [(a)]	1,514	—	—
State income tax, net of federal benefit	168	94	(709)
Permanent differences, other	505	99	43
Permanent differences, incentive stock options	447	224	298
Valuation allowance, other	(77)	1,769	1,552
Uncertain tax provision	1,614	—	—
Other	188	109	—
Consolidated income tax provision	$ (4,541)	$ 1,581	$ (2,519)
Consolidated effective tax rate	109.7%	(77.5)%	23.8%

(a) Represents estimated impact recorded in the fourth quarter of 2017 resulting from the enactment of the Act on December 22, 2017.

In the current year, the Company's effective tax rate differed from the statutory rate of 35% primarily due to the impact of the Act enacted on December 22, 2017. We recorded a net tax benefit of $5.9 million, or $0.21 per share, resulting from the re-measurement of the Company's net deferred tax liabilities to reflect the new, lower U.S. corporate income tax rate of 21%, partially offset by the addition of a partial valuation allowance recorded against existing foreign tax credit carryforwards not expected to be utilized in future tax years. This net tax benefit was partially offset by the addition of an uncertain tax position reserve as well as tax expense for permanent differences associated with incentive stock options and meals and entertainment.

Deferred Taxes

The Company's deferred tax assets and liabilities are as follows:

	December 31, 2017		December 31, 2016	
	Current	Long- term [(a)]	Current	Long-term
Assets related to:				
Accrued liabilities	$ —	$ 1,226	$ 2,322	$ —
Intangible assets	—	3,010	—	4,517
Net operating loss carryforward	—	6,912	—	7,455
Valuation allowance	—	(3,942)	—	(3,321)
Non-qualified stock options	—	762	112	1,367
Foreign tax credits	—	1,751	—	2,035
Valuation allowance on foreign tax credits	—	(1,514)	—	—
AMT credits	—	—	—	780
Other	—	215	45	16
Total assets	—	8,420	2,479	12,849
Liabilities related to:				
Depreciation and amortization	—	(15,788)	—	(25,326)
Goodwill	—	(5,178)	—	(6,502)
Deferred revenue on maintenance contracts	—	(597)	(429)	—
Other	—	(100)	(37)	(21)
Total liabilities	—	(21,663)	(466)	(31,849)
Net deferred (liabilities) assets	$ —	$ (13,243)	$ 2,013	$ (19,000)

(a) Components of our deferred tax assets and liabilities at December 31, 2017 after taking into account the estimated impact of the Act and related items.

As reported in the Consolidated Balance Sheets:

	December 31, 2017	December 31, 2016
Net current deferred tax assets	—	2,013
Net non-current deferred tax liabilities	(13,243)	(19,000)
Total net deferred tax liabilities:	$ (13,243)	$ (16,987)

In the quarter ended March 31, 2017, the Company adopted ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. Previously, U.S. GAAP required an entity to separate deferred income tax liabilities and assets into current and non-current amounts in a classified statement of financial position. The amendments in this update require that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The Company elected to adopt this guidance prospectively and as such $2.0 million of deferred tax assets as of December 31, 2016 appears on the balance sheet as current.

Additionally, in the quarter ended March 31, 2017, the Company adopted ASU 2016-09, *Improvements to Employee-Based Payment Accounting*. As part of this adoption, certain federal net operating losses ("NOLs") that were previously classified as off-balance sheet are now being recognized as deferred tax assets through an adjustment to opening retained earnings. The Company chose to prospectively adopt this guidance during the first quarter of 2017 and as such the balance sheet includes an adjustment of approximately $0.7 million as an addition to "Retained earnings" and a reduction to the "Deferred income taxes" line items on the Consolidated Balance Sheet in order to true-up the tax effected portion of the NOLs mentioned above. Due to the prospective adoption, no prior year adjustments were made.

The Company assessed the realizability of its deferred tax assets at December 31, 2017 and 2016, and considered whether it was more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets depends upon the generation of future taxable income, which includes the reversal of deferred tax liabilities related to depreciation, during the periods in which these temporary differences become deductible.

The Company has a tax effected NOLs as of December 31, 2017 of $5.7 million for state income tax reporting purposes due to the cumulative losses sustained in various states. The Company believes it will be able to partially utilize these NOLs against future income primarily with reversing of temporary differences attributable to depreciation, due to expiration dates well into the future. However, the Company has determined that a portion of the NOLs related to certain jurisdictions will more likely than not be able to be fully utilized. Therefore, a valuation allowance of $3.9 million exists for this portion of the NOL. For federal tax purposes, the Company has utilized its ability to carry losses back prior to 2017. Approximately $1.2 million remains as a tax effected federal net operating loss carryforward, which the Company believes it will be able to utilize before expiration.

As of December 31, 2017 the Company had approximately $0.7 million of AMT available that do not expire. As part of the Act, any remaining AMT after 2017 will be refunded to the Company beginning in 2018 through 2021, and therefore, the Company reclassified the existing balance from a deferred tax asset to an other non-current asset as of December 31, 2017.

Uncertain Tax Benefits

The Company and its subsidiaries file consolidated federal income tax returns in the United States and also file in various states. With few exceptions, the Company remains subject to federal and state income tax examinations for the years of 2012, 2013, 2014, 2015, and 2016. As of December 31, 2017, the Company had approximately $1.6 million of total unrecognized tax benefits as a result of uncertain tax positions. As of December 31, 2016 and 2015, the Company had not recorded unrecognized tax benefits for any uncertain tax positions. The Company does not expect that unrecognized tax benefits as of December 31, 2017 for certain federal income tax matters will significantly change over the next 12 months. The final outcome of these uncertain tax positions is not yet determinable. Our uncertain tax benefits, if recognized, would affect the Company's effective tax rate. The change in the total gross unrecognized tax benefits and prior year audit resolutions of the Company during the year ended December 31, 2017 is reconciled in the table below:

	2017
Balances at beginning of the year	$ —
Additions based on tax position related to current year	—
Additions based on tax positions related to prior years	1,614
Reductions based on tax positions related to current year	—
Reductions based on tax positions related to prior years	—
Settlements with tax authorities	—
Lapse of statute of limitations	—
Balance at the end of year	$ 1,614

The Company's policy is to recognize interest and penalties related to any unrecognized tax liabilities as additional tax expense. No interest or penalties have been accrued at December 31, 2017, 2016 and 2015. The Company believes it has appropriate and adequate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. Although the Company believes its recorded assets and liabilities are reasonable, tax regulations are subject to interpretation and tax litigation is inherently uncertain; therefore the Company's assessments can involve both a series of complex judgments about future events and rely heavily on estimates and assumptions. Although the Company believes that the estimates and assumptions supporting its assessments are reasonable, the final determination of tax audit settlements and any related litigation could be materially different from that which is reflected in historical income tax provisions and recorded assets and liabilities. If the Company were to settle an audit or a matter under litigation, it could have a material effect on the income tax provision, net income, or cash flows in the period or periods for which that determination is made. Any accruals for tax contingencies are provided for in accordance with U.S. GAAP.

The Company does not believe that its tax positions will significantly change due to any settlement and/or expiration of statutes of limitations prior to December 31, 2018.

14. Earnings (Loss) Per Share

Basic earnings (loss) per share are based on the weighted average number of common shares outstanding during each period. Diluted earnings per share are based on the weighted average number of common shares outstanding and the effect of all dilutive common stock equivalents during each period. The exercise price for certain stock options awarded by the Company exceeds the average market price of the Company's common stock. Such stock options are anti-dilutive and are not included in the computation of earnings (loss) per share. For the years ended December 31, 2017, 2016 and 2015, the Company had 2,274,908, 2,381,926, and 2,043,375, securities, respectively, that were potentially dilutive in future earnings per share calculations. Such dilution will be dependent on the excess of the market price of our stock over the exercise price and other components of the treasury stock method.

The following table reconciles the denominators used in the computations of both basic and diluted earnings (loss) per share:

	Year ended December 31,		
	2017	2016	2015
Basic:			
Weighted average shares outstanding	28,029,936	27,536,967	27,366,528
Diluted:			
Total basic weighted average shares outstanding	28,029,936	27,536,967	27,366,528
Effect of dilutive securities:			
Common stock options	324,344	—	—
Total weighted average shares outstanding assuming dilution	28,354,280	27,536,967	27,366,528
Anti-dilutive stock options	—	—	—
Shares of common stock issued from the exercise of stock options	229,551	13,850	3,970

15. Stock-Based Compensation

The Compensation Committee of the Company's Board of Directors is responsible for the administration of the Company's stock incentive plans, which include the balance of shares remaining under the 2011 Long Term Incentive Plan (the "2011 LTIP") and 2017 Long Term Incentive Plan (the "2017 LTIP"), which was approved by shareholders in May 2017 and authorized the maximum aggregate number of shares to be issued of 2,400,000. In general, the Company's 2017 LTIP provides for grants of restricted stock and stock options to be issued with a per-share price equal to the fair market value of a share of common stock on the date of grant. Option terms are specified at each grant date, but are generally are 10 years from the date of issuance. Options generally vest over a three year period.

Restricted Stock

The following table summarizes the restricted stock activity under the Company's equity incentive plans :

	Number of Shares		Weighted Average Fair Value Per Share
Nonvested at January 1, 2015	235,863	$	8.63
Granted	38,660	$	5.82
Vested	(134,545)	$	6.84
Forfeited/repurchased shares	(19,824)	$	11.35
Nonvested at December 31, 2015	120,154	$	9.28
Granted	407,002	$	4.96
Vested	(147,259)	$	6.62
Forfeited/repurchased shares	(7,591)	$	7.08
Nonvested at December 31, 2016	372,306	$	5.66
Granted	345,913	$	7.22
Vested	(225,406)	$	7.25
Forfeited/repurchased shares	(120,353)	$	6.08
Nonvested at December 31, 2017	372,460	$	6.01

Independent directors receive equity compensation in the form of grants. In May 2017, the Company's independent directors each received equity compensation grants of 12,465 shares, with a fair value of $7.22 per share and in May 2016, the Company's independent directors each received equity compensation grants of 14,170 shares, with a fair value of $4.94 per share. Additionally, in 2017, certain officers and executives of the Company were awarded 213,643 shares with a vesting period of three years and a weighted average fair value of $7.22 per share and in 2016, certain officers and executives of the Company were awarded 267,175 shares with a vesting period of three years and a weighted average fair value of $4.96 per share. No shares were granted to independent directors, officers or executives of the Company during 2015, except for the chief operating officer who joined the Company in September 2015. Upon execution of his employment agreement, he was awarded 38,660 shares, with a vesting period of three years and a fair value of $5.82 per share.

Performance Stock

In May 2017, the Company awarded certain executives 69,945 shares of performance based stock, which vest based on the achievement of an objective return on invested capital measured over a two-year performance period covering the 2018 and 2019 fiscal years. The fair value on the date of grant was $7.22 per share. In May 2016, the Company awarded certain executives 68,977 shares of performance based stock, which vest based on the achievement of an objective return on invested capital measured over a two-year performance period covering the 2017 and 2018 fiscal years. The fair value on the date of the grant was $4.94 per share.

Stock Options

The following table summarizes the stock option activity under the Company's equity incentive plans:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2015	2,056,898	$ 9.86		
Granted	143,862	$ 5.82		
Exercised	(3,970)	$ 6.00		
Forfeited	(46,890)	$ 11.72		
Outstanding at December 31, 2015	2,149,900	$ 9.56		
Granted	587,862	$ 4.98		
Exercised	(13,850)	$ 4.86		
Forfeited	(374,466)	$ 9.89		
Outstanding at December 31, 2016	2,349,446	$ 8.39		
Granted	425,204	$ 7.22		
Exercised	(229,551)	$ 5.75		
Forfeited	(633,978)	$ 10.36		
Outstanding at December 31, 2017	1,911,121	$ 7.79		
Vested and expected to vest at December 31, 2017	2,024,130	$ 7.69	5.26	$ 2,872
Exercisable at December 31, 2017	1,462,481	$ 8.18	3.82	$ 2,054

The Company calculates the fair value of each option on the date of grant using the Black-Scholes pricing model and the following weighted-average assumptions in each year:

	2017	2016	2015
Weighted average grant-date fair value of options granted	$ 7.22	$ 4.97	$ 5.82
Risk-free interest rate	1.46%	1.06%	0.97%
Expected volatility	48%	49%	38%
Expected term of options (in years)	3.0	3.0	3.0
Dividend yield	—%	—%	—%

The risk-free interest rate is based on interest rates on U.S. Treasury zero-coupon issues that match the contractual terms of the stock option grants. The expected term represents the period in which the Company's equity awards are expected to be outstanding, which for the years presented is based on the exercise history.
For years ended December 31, 2017, 2016 and 2015, compensation expense related to stock based awards outstanding for the periods was $2.3 million, respectively. The Company applies a 3.2% and 5.5% forfeiture rate, which gets compounded over the vesting terms of the individual award, to its restricted stock and option grants, respectively, based on historical analysis.

During the year ended December 31, 2017, certain officers and executives of the Company were awarded 425,204 options with a vesting period of three years and a weighted average fair value of $7.22 per share, and for the year ended December 31, 2016, certain officers and executives were awarded 587,862 options with a vesting period of three years and a fair value of $4.98 per share. No options were awarded to officers or executives of the Company as of the year ended December 31, 2015, except for the chief operating officer who joined the Company in September 2015. Upon execution of his employment agreement, he was granted 143,862 shares, with a vesting period of three years and a fair value of $5.82 per share.

In the year ended December 31, 2017, the Company received proceeds of approximately $1.3 million upon the exercise of 229,551 options. In the year ended December 31, 2016, proceeds of $67,000 upon the exercise of 13,850 options and in the year ended December 31, 2015, 3,970 options were exercised, generating proceeds of $28,000.

As of December 31, 2017, total unrecognized compensation expense related to unvested stock and options was approximately $2.9 million, which is expected to be recognized over a period of approximately 2.0 years.

	2017	2016	2015
Total intrinsic value of options exercised	$ 706	$ 53	$ 17
Total fair value of shares vested	$ 855	$ 986	$ 1,226

16. Employee Benefits

All of the Company's marine segment employees except the Associate Divers, the Associate Tugmasters, and union employees in the Pacific Northwest, are eligible to participate in the Company's 401(k) Retirement Plan after completing six months of service. Each participant may contribute between 1% and 80% of eligible compensation on a pre-tax basis, up to the annual IRS limit. The Company matches 100% on the first 2% of eligible compensation contributed to the Plan and 50% on the next 2% of eligible compensation contributed to the Plan. Participants' contributions are fully vested at all times. Employer matching contributions vest over a four-year period. At its discretion, the Company may make additional matching and profit-sharing contributions. During the years ended December 31, 2017, 2016 and 2015 the Company contributed $1.4 million to the Plan, respectively.

All of the Company's concrete segment employees except Leads, Helpers, Laborers, Finishers, Formsetters, Carpenters, Rodbusters, Patchmen, Equipment Operators, Field Engineering Trainees and certain Highly Compensated Employees are eligible to participate in the AGC Southwest Chapters 401(k) Retirement Plan, a multiple employer plan, after completing three months of service. Each participant may contribute up to the annual IRS limit. The Company matches 50% on the first 6% of eligible compensation contributed to the Plan. Participants' contributions are fully vested at all times. Employer matching contributions vest over a five-year period. At its discretion, the Company may make additional matching and profit-sharing contributions. During the year ended December 31, 2017, 2016 and 2015, the Company contributed $0.4 million, $0.2 million and $0.1 million, respectively.

The Company's marine segment contributes to several multi-employer defined pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. Risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and
- If the Company chooses to stop participating in its multi-employer plans, it may be required to pay a withdrawal liability based on the underfunded status of the plan.

Currently, the Company's concrete segment does not have union represented employees and, thus, does not participate under the above-mentioned defined pension plans, or any other plans, that cover union-represented employees.

The following table presents the Company's participation in these plans:

Pension Trust Fund	Employer Identification Number	Pension Protection Act ("PPA") Certified Zone Status (1)		FIP/RP Status	Contributions			Surcharge Imposed	Expiration of Collective Bargaining Agreement
		2017	2016	P/I (2)	2017	2016	2015		
International Union of Operating Engineers - Employers Construction Industry Retirement Plan - Local 302 and 612 Trust Funds	91-6028571	Green	Green	N/A	$ 1,974	$ 2,158	$ 1,518	—	2018
Associated General Contractors of Washington Carpenter, Piledrivers, and Millwrights	91-6029051 91-6029049	Green	Green	N/A	$ 693	$ 938	$ 748	—	2018
Alaska Carpenters Trust Fund	92-0120866	Green	Green	N/A	$ 396	$ 889	$ 807	—	2020
Alaska Laborers Trust Fund	91-6028298	Yellow	Yellow	P	$ 218	$ 126	$ 110	—	2017

(1) The most recent PPA zone status available in 2017 and 2016 is for the plan's year end during 2016 and 2015, respectively. Zone status is based on information received from the plan and is indicative of the plans funding status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the orange zone are less than 80 percent funded and have an Accumulated Funding Deficiency in the current year or projected into the next six years, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

(2) The FIP/RP Status P/I column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending ("P"), or implemented ("I").

There are currently no plans to withdraw from any of the multi-employer plans in which the Company participates.

17. Commitments and Contingencies

Operating Leases

In July 2005, the Company executed a sale-leaseback transaction in which it sold an office building for $2.1 million and entered into a ten year lease agreement. The sale of the office building resulted in a gain of $562,000 which has been deferred and amortized over the life of the lease. The Company recognized approximately $8,000 for the year ending 2015. Scheduled increases in monthly rent are included in the lease agreement. Rent expense under this agreement was approximately $85,000 for the year ending December 31, 2015. The Company, at its option, can extend the lease for two additional five-year terms. However, the Company opted not to renew the lease and it expired on July 1, 2015.

In 2005, the Company entered into a lease agreement for vehicles under a continuing operating lease agreement. Rental expense under this lease for the years ended December 31, 2017, 2016 and 2015 was $0.7 million, $1.5 million, and $2.3 million, respectively.

In 2016, the Company started transitioning its vehicle leases to a new lease agreement in an effort to update and expand its current fleet. The Company expects to fully transition all of its fleet vehicles to this new lease over the course of the next several years. Rental expense under this lease for the year ended December 31, 2017, and 2016 was $1.7 million, and $1.0 million, respectively. There was no rental expense at the end of December 31, 2015.

The Company leases its corporate office in Houston, Texas under a lease with an initial term of nine years. In addition, the Company leases other facilities, including office space and yard facilities, under terms that range from one to five years. The Company also leases short-term field office space at its various construction sites for the duration of the projects.

Future minimum lease payments under non-cancelable operating leases as of December 31, 2017 are as follows:

	Amount
Year ended December 31,	
2018	$ 7,371
2019	6,560
2020	5,364
2021	3,247
2022	1,824
Thereafter	12,947
	$ 37,313

Litigation

From time to time the Company is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, the Company accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe any other proceedings, individually or in the aggregate, would be expected to have a material adverse effect on results of operations, cash flows or financial condition.

18. Segment Information

The Company currently operates in two reportable segments: marine and concrete. The Company's financial reporting systems present various data for management to run the business, including profit and loss statements prepared according to the segments presented. Management uses operating income to evaluate performance between the two segments. Segment information for the periods presented is provided as follows:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Marine		
Contract revenues	$ 285,736	$ 284,632
Operating loss	(18,406)	(12,403)
Depreciation and amortization expense	(20,370)	(21,398)
Total assets	$ 260,935	$ 279,362
Property, plant and equipment, net	128,421	143,425
Concrete		
Contract revenues	$ 292,817	$ 293,604
Operating income	19,944	16,477
Depreciation and amortization expense	(9,121)	(12,764)
Total assets	$ 172,350	$ 168,314
Property, plant and equipment, net	17,857	14,657

There were no intersegment revenues between the Company's two reportable segments for the years ended December 31, 2017 and 2016. The marine segment had foreign revenues of $9.4 million and $7.4 million, respectively, for the years ended December 31, 2017 and 2016. These revenues are derived from projects in the Caribbean Basin and Mexico and are paid in U.S. dollars. There was no foreign revenue for the concrete segment.

19. Related Party Transactions

Upon the completion of the TAS acquisition, the Company entered into a lease arrangement with an entity in which an employee owns an interest. This lease is for office space and yard facilities used by the concrete segment. Annual lease expense was approximately $478,000 and $820,000 for the years ending December 31, 2017 and 2016, respectively. Due to the resignation of this employee, these transactions ceased to be related party transactions as of July 31, 2017 and resulted in a lower annual lease expense for 2017 compared to 2016.

20. Selected Quarterly Financial Data

The following tables set forth selected unaudited financial information for the eight quarters in the two-year period ended December 31, 2017. This information has been prepared on the same basis as the audited financial statements and, in the opinion of management, contains all adjustments necessary for a fair presentation.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(in thousands, except per share data)				
2017					
Revenues	$ 138,757	$ 137,420	$ 140,162	$ 162,214	$ 578,553
Gross profit	12,985	15,397	10,757	27,751	66,890
Operating (loss) income	(1,482)	(2,466)	(5,354)	10,840	1,538
(Loss) income before income taxes	(2,827)	(3,917)	(6,703)	9,306	(4,141)
Net (loss) income	(1,808)	(2,293)	(5,037)	9,538	400
(Loss) earnings per share:					
Basic	$ (0.07)	$ (0.08)	$ (0.18)	$ 0.34	$ 0.01
Diluted	$ (0.07)	$ (0.08)	$ (0.18)	$ 0.34	$ 0.01

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(in thousands, except per share data)				
2016					
Revenues	$ 129,623	$ 140,301	$ 164,017	$ 144,295	$ 578,236
Gross profit	14,710	16,946	24,169	11,657	67,482
Operating (loss) income	(455)	281	9,531	(5,283)	4,074
(Loss) income before income taxes	(1,958)	(1,310)	7,963	(6,734)	(2,039)
Net (loss) income	(1,208)	(808)	4,739	(6,343) (1)	(3,620)
(Loss) earnings per share:					
Basic	$ (0.04)	$ (0.03)	$ 0.17	$ (0.23)	$ (0.13)
Diluted	$ (0.04)	$ (0.03)	$ 0.17	$ (0.23)	$ (0.13)

(1) - Fourth quarter 2016 net loss includes $0.8 million of tax expense that represents an out of period adjustment associated with deferred taxes. Management evaluated the effect of the adjustment on the Company's financial statements based on SEC Staff Accounting Bulleting ("SAB") No. 99 and SAB 108 and concluded that it was immaterial to the current and prior year's financial statements.

ORION GROUP HOLDINGS, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Dollars in thousands)

Description	Balance at the Beginning of the Period	Charged to Revenue, Cost or Expense	Deduction	Balance at the End of the Period
Year ended December 31, 2015				
Provision for Doubtful Accounts	$ —	$ 22	$ (22)	$ —
Year ended December 31, 2016				
Provision for Doubtful Accounts	$ —	$ —	$ —	$ —
Year ended December 31, 2017				
Provision for Doubtful Accounts	$ —	$ —	$ —	$ —

EXHIBIT "C"

ORION GROUP HOLDINGS, INC.
Annual Meeting of Stockholders
May 24, 2018

INSPECTOR'S OATH

STATE OF FLORIDA

COUNTY OF PALM BEACH

I, the undersigned, being duly sworn on my respective oath, do hereby promise and swear that I will faithfully, honestly and to the best of my abilities with strict impartiality, perform the duties of Inspector of Election at the Annual Meeting of Stockholders of Orion Group Holdings, Inc., to be held on May 24, 2018, and at any adjournments thereof, will faithfully and diligently and to the best of my ability canvas the votes cast on all matters that may come before the Meeting and will honestly, truthfully and accurately report the result of such votes.

The Carideo Group, Inc.
Inspection Election Services

Beth W. VanDerbeck

Subscribed and sworn to before me
this 22 day of May 2018

Natasha C. Wright
Notary Public

NATASHA C. WRIGHT
MY COMMISSION # FF 949180
EXPIRES: May 8, 2020
Bonded Thru Notary Public Underwriters

*** SELECTION CRITERIA ***

COMPANY: 15396 ORION GROUP HOLDINGS INC RESTRICTED CO

SEQUENCE	:	ALPHABETIC
AS OF DATE	:	03/28/2018 (RECORD DATE 2)
CERTIFICATION REQUIRED	:	YES
D/R OPTION	:	D/R SHARES OMITTED
D/R ACCOUNT TYPE	:	ALL D/R TYPES
SHARE OPTION	:	RECORD DATE 2 SHARES
D/R SHARE OPTION	:	N/A
SPEC. ACCT SELECTION	:	ALL
MAIL CODE SELECTION	:	ALL
DIR. DEP. SELECTION	:	ALL ACCOUNTS
ALT. ADDRESS SELECTION	:	LEGAL N/A
SHARE RANGE	:	.001 THRU 99999999
ZIP CODE RANGE	:	ALL
RESIDENCE CODE RANGE	:	ALL
CLASS CODE RANGE	:	ALL
DATE SELECTION	:	NONE
DATE OPTION	:	NONE
SUPPRESS CODE	:	N/A
SUPPRESS TAX-ID NUMBER	:	YES

EXHIBIT "D"

*** LIST OF SHAREHOLDERS ***

COMPANY: 15396 ORION GROUP HOLDINGS INC RESTRICTED CO

0000010014 4,014

RICHARD L DAERR
P.O. BOX 5432
CRESTED BUTTE CO 81225

0000010013 9,089

THOMAS AMONETT
22 FARNHAM PARK DRIVE
HOUSTON TX 77024-7501

0000010024 4,579

PETER R BUCHLER
C/O ORION MARINE GROUP INC
12000 AEROSPACE DRIVE
SUITE 300
HOUSTON TX 77034

0000010018 5,075

RICHARD DAERR
C/O ORION MARINE GROUP INC
12000 AEROSPACE DRIVE
SUITE 300
HOUSTON TX 77034

0000010022 6,541

ELLIOTT J KENNEDY
C/O ORION MARINE GROUP INC
12000 AEROSPACE DRIVE
SUITE 300
HOUSTON TX 77034

0000010020 17,007

J MICHAEL PEARSON
C/O ORION MARINE GROUP INC
12000 AEROSPACE DRIVE
SUITE 300
HOUSTON TX 77034

0000010015 4,014

AUSTIN SHANFELTER
16600 BEAR CUB CT
FORT MYERS FL 33908

0000010019 5,075

AUSTIN SHANFELTER
C/O ORION MARINE GROUP INC
12000 AEROSPACE DRIVE
SUITE 300
HOUSTON TX 77034

0000010021 9,158

MARK R STAUFFER
C/O ORION MARINE GROUP INC
12000 AEROSPACE DRIVE
SUITE 300
HOUSTON TX 77034

0000010026 3,140

GENE STOEVER
C/O ORION MARINE GROUP INC
12000 AEROSPACE DRIVE
SUITE 300
HOUSTON TX 77034

0000010011 963

TED THOMPSON
3721 MAPLEWOOD DR
SULPHUR LOUISIANA 70663

WE HEREBY CERTIFY THAT THE FOLLOWING LIST OF HOLDERS OF

ORION GROUP HOLDINGS INC RESTRICTED CO

AGGREGATING 68,655.000 SHARES
REPRESENTS A TRUE AND COMPLETE LIST OF SUCH HOLDERS IN ACCORDANCE WITH OUR RECORDS AS TRANSFER AGENT AS OF THE CLOSE OF BUSINESS ON MARCH 28, 2018.

AMERICAN STOCK TRANSFER & TRUST CO.

*** SELECTION CRITERIA ***

COMPANY: 15714 ORION GROUP HOLDINGS INC

SEQUENCE	:	ALPHABETIC
AS OF DATE	:	03/28/2018 (RECORD DATE 2)
CERTIFICATION REQUIRED	:	YES
D/R OPTION	:	D/R SHARES OMITTED
D/R ACCOUNT TYPE	:	ALL D/R TYPES
SHARE OPTION	:	RECORD DATE 2 SHARES
D/R SHARE OPTION	:	N/A
SPEC. ACCT SELECTION	:	ALL
MAIL CODE SELECTION	:	ALL
DIR. DEP. SELECTION	:	ALL ACCOUNTS
ALT. ADDRESS SELECTION	:	LEGAL N/A
SHARE RANGE	:	.001 THRU 99999999
ZIP CODE RANGE	:	ALL
RESIDENCE CODE RANGE	:	ALL
CLASS CODE RANGE	:	ALL
DATE SELECTION	:	NONE
DATE OPTION	:	NONE
SUPPRESS CODE	:	N/A
SUPPRESS TAX-ID NUMBER	:	YES

*** LIST OF SHAREHOLDERS ***

COMPANY: 15714 ORION GROUP HOLDINGS INC

0000010001 28,084,378

CEDE & CO (FAST ACCOUNT)
PO BOX 20
BOWLING GREEN STATION
NEW YORK NY 10004

0000010009 3,522

MIKE CHMARA
2837 LONG LEAF DRIVE
PALM HARBOR FL 34684

0000010042 100

BENJAMIN LARGE
304 S JONES BLVD #3367
LAS VEGAS NV 89107

0000010041 496,700

ORION MARINE GROUP INC
TREASURY
12000 AEROSPACE SUITE 300
HOUSTON TX 77034

0000010025 825

FRANK THIELEN
4310 GLEN AVON
PASADENA TX 77505

0000010036 1

MARSHALL WOLF
BOX 730 STATION A
TORONTO ONTARIO
CANADA M5W 1G2

*** LIST OF SHAREHOLDERS ***

COMPANY: 15714 ORION GROUP HOLDINGS INC

TOTAL NUMBER OF SHARES SELECTED : 28,585,526.000

TOTAL NUMBER OF ACCOUNTS SELECTED: 6

WE HEREBY CERTIFY THAT THE FOLLOWING LIST OF HOLDERS OF

ORION GROUP HOLDINGS INC

AGGREGATING 28,585,526.000 SHARES REPRESENTS A TRUE AND COMPLETE LIST OF SUCH HOLDERS IN ACCORDANCE WITH OUR RECORDS AS TRANSFER AGENT AS OF THE CLOSE OF BUSINESS ON MARCH 28, 2018.

AMERICAN STOCK TRANSFER & TRUST CO.

EXHIBIT "E"

ORION GROUP HOLDINGS, INC.
Annual Meeting of Stockholders
May 24, 2018

Ballot of Appointed Proxies

The undersigned, duly appointed proxies by stockholders of Orion Group Holdings, Inc. hereby cast all votes as designated and in the manner instructed on the items properly brought before the meeting, as set forth below.

ITEM 1- To elect two Class II members to our Board of Directors, each to serve a three-year term and until their successor is duly elected and qualified.

	FOR	AGAINST	ABSTAIN
Richard L. Daerr, Jr.	_____	_____	_____
J. Michael Pearson	_____	_____	_____

ITEM 2- To approve a non-binding advisory proposal on our executive compensation as disclosed in the Proxy Statement (the "say-on-pay" vote).

FOR	AGAINST	ABSTAIN
_____	_____	_____

ITEM 3- To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2018.

FOR	AGAINST	ABSTAIN
_____	_____	_____

_____
Mark R. Stauffer (As Proxy)

_____
Peter R. Buchler (As Proxy)

_____
Christopher J. DeAlmeida (As Proxy)

EXHIBIT "F"

ORION GROUP HOLDINGS, INC.
Annual Meeting of Stockholders
May 24, 2018

Ballot of Appointed Proxies

The undersigned, duly appointed proxies by stockholders of Orion Group Holdings, Inc. hereby cast all votes as designated and in the manner instructed on the items properly brought before the meeting, as set forth below.

ITEM 1- To elect two Class II members to our Board of Directors, each to serve a three-year term and until their successor is duly elected and qualified.

	FOR	AGAINST	ABSTAIN
Richard L. Daerr, Jr.	21,455,704	1,759,154	606,309
J. Michael Pearson	18,912,593	4,549,123	359,451

ITEM 2- To approve a non-binding advisory proposal on our executive compensation as disclosed in the Proxy Statement (the "say-on-pay" vote).

FOR	AGAINST	ABSTAIN
23,243,031	512,716	65,420

ITEM 3- To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2018.

FOR	AGAINST	ABSTAIN
26,002,100	9,490	4,389

Mark R. Stauffer (As Proxy)

Peter R. Buchler (As Proxy)

Christopher J. DeAlmeida (As Proxy)

EXHIBIT "G"

ORION GROUP HOLDINGS, INC.
Annual Meeting of Stockholders
May 24, 2018

Final Report of the Inspector of Election

I, the undersigned, the duly appointed Inspector of Election at the Annual Meeting of Stockholders (the "Meeting") of Orion Group Holdings, Inc. (the "Company"), held on May 24, 2018 hereby certify that:

1) Before entering upon the discharge of my duties as Inspector of Election at the Meeting, I took and signed an Oath of Inspector of Election.

2) The Meeting was held online at www.virtualshareholdermeetings.com/orn2018, pursuant to notice duly given.

3) At the close of business on March 28, 2018, the record date for the determination of stockholders entitled to vote at the Meeting, there were 28,088,826 shares of the Company's Common Stock, each share being entitled to one vote, constituting all of the outstanding voting securities of the Company.

4) At the Meeting, the holders of 26,015,979 shares of the Company's Common Stock were represented in person or by proxy constituting a quorum.

5) The undersigned canvassed the votes of the stockholders cast by ballot or proxy on the matters presented at the Meeting.

6) At the Meeting, the vote to elect two Class II members to our Board of Directors, each to serve a three-year term and until their successor is duly elected and qualified, was as follows:

	FOR	AGAINST	ABSTAIN	BROKER NON-VOTE
Richard L. Daerr, Jr.	21,455,704	1,759,154	606,309	2,194,812
J. Michael Pearson	18,912,593	4,549,123	359,451	2,194,812

7) At the Meeting, the vote to approve, on a non-binding advisory basis, the compensation of the Company's named executive officers as disclosed in the 2018 Proxy Statement, was as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTE
23,243,031	512,716	65,420	2,194,812

8) At the Meeting, the vote to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2018, was as follows:

FOR	AGAINST	ABSTAIN
26,002,100	9,490	4,389

IN WITNESS WHEREOF, I have made this Final Report and have been hereunto set my hand this 24th day of May 2018.

The Carideo Group, Inc.
Inspection Election Services

Beth W. VanDerbeck