SCHUFF INTERNATIONAL, INC.
AND SUBSIDIARIES

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 30, 2012

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Schuff International, Inc.

We have audited the accompanying consolidated financial statements of Schuff International, Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 30, 2012 and January 1, 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Schuff International, Inc. and subsidiaries as of December 30, 2012 and January 1, 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Phoenix, Arizona
March 20, 2013

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	December 30 2012	January 1 2012
	(in thousands, except for share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 8,070	$ 7,634
Receivables (Notes 2 and 14)	96,974	105,008
Costs and recognized earnings in excess of billings on uncompleted contracts (Note 2)	13,163	28,369
Inventories (Note 3)	18,346	20,771
Deferred tax asset (Note 8)	2,027	3,279
Prepaid expenses and other current assets	1,510	1,477
Total current assets	140,090	166,538
Property, plant and equipment, net (Note 4)	71,353	75,411
Goodwill	10,054	10,054
Other assets	5,885	6,018
	$ 227,382	$ 258,021
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable (Note 5)	$ 38,951	$ 57,307
Accrued payroll and employee benefits	8,172	12,317
Accrued interest	556	73
Other current liabilities (Note 6)	4,533	4,283
Billings in excess of costs and recognized earnings on uncompleted contracts (Note 2)	40,289	24,549
Income tax payable (Note 8)	2,955	3,357
Current portion of long-term debt (Note 7)	4,910	26,413
Total current liabilities	100,366	128,299
Long-term debt (Note 7)	23,500	29,410
Deferred tax liability (Note 8)	6,068	7,143
Other liabilities	1,718	170
	31,286	36,723
Commitments and Contingencies (Notes 7, 9, 11, 12 and 13)		
Schuff International stockholders' equity (Note 10)		
Preferred stock, $.001 par value – authorized 1,000,000 shares, none issued	-	-
Common stock, $.001 par value – 20,000,000 shares authorized, 10,038,707 issued in both 2012 and 2011, and 4,179,796 and 4,146,589 shares outstanding in 2012 and 2011, respectively	10	10
Additional paid-in capital	49,152	49,249
Retained earnings	119,360	117,187
Treasury stock - 5,858,911 and 5,892,118 shares, in 2012 and 2011, respectively, at cost	(77,187)	(77,706)
Total Schuff International stockholders' equity	91,335	88,740
Non-controlling interest	4,395	4,259
Total stockholders' equity	95,730	92,999
	$ 227,382	$ 258,021

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended	
	December 30 2012	January 1 2012
	(in thousands, except per share data)	
Revenues (Note 14)	$ 447,047	$ 392,161
Cost of revenues	400,955	349,143
Gross profit	46,092	43,018
General and administrative expenses (Note 11)	37,314	38,369
Goodwill impairment	-	7,061
Operating income (loss)	8,778	(2,412)
Interest expense	(6,483)	(1,141)
Other income	860	352
Income (loss) before income tax provision	3,155	(3,201)
Income tax provision (Note 8)	(846)	(1,788)
Income (loss) before non-controlling interest	2,309	(4,989)
Non-controlling interest	(136)	(43)
Net income (loss)	$ 2,173	$ (5,032)
Income (loss) per common share: (Note 10)		
Basic	$ 0.52	$ (0.52)
Diluted	$ 0.52	$ (0.52)
Weighted average shares used in computation: (Note 10)		
Basic	4,156	9,688
Diluted	4,160	9,688

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Non-controlling Interest	Total
			(in thousands)				
Balance at January 3, 2011	9,756	$ 10	$ 49,199	$ 122,219	$ (3,391)	$ -	$ 168,037
Net loss	-	-	-	(5,032)	-	-	(5,032)
Issuance of common stock	1	-	8	-	-	-	8
Non-controlling interest	-	-	-	-	-	4,216	4,216
Non-controlling interest income	-	-	-	-	-	43	43
Tax effect of stock-based compensation	-	-	(138)	-	-	-	(138)
Purchase of treasury stock	(5,652)	-	-	-	(74,820)	-	(74,820)
Issuance of treasury stock-restricted stock grant	42	-	(505)	-	505	-	-
Compensation expense-restricted stock grant	-	-	685	-	-	-	685
Balance at January 1, 2012	4,147	10	49,249	117,187	(77,706)	4,259	92,999
Net income	-	-	-	2,173	-	-	2,173
Non-controlling interest income	-	-	-	-	-	136	136
Tax effect of stock-based compensation	-	-	(92)	-	-	-	(92)
Purchase of treasury stock	(30)	-	-	-	(312)	-	(312)
Issuance of treasury stock-director grants	20	-	(84)	-	264	-	180
Issuance of treasury stock-restricted stock grant	43	-	(567)	-	567	-	-
Compensation expense-restricted stock grant	-	-	646	-	-	-	646
Balance at December 30, 2012	4,180	$ 10	$ 49,152	$ 119,360	$ (77,187)	$ 4,395	$ 95,730

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 30 2012	Year Ended January 1 2012
	(in thousands)	
Operating Activities		
Net income (loss)	$ 2,173	$ (5,032)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Net increase (decrease) in allowance for doubtful accounts	73	(139)
Depreciation and amortization	8,563	8,583
Loss from extinguishment of debt	-	233
Goodwill impairment	-	7,061
Gain on disposals of property plant and equipment	(428)	(11)
Deferred income taxes	177	(1,227)
Non-controlling interest income	136	43
Excess tax benefit of restricted stock awards	92	138
Stock awards	180	8
Compensation expense - restricted stock grant	646	685
Changes in working capital components:		
Receivables	7,961	(12,364)
Costs and recognized earnings in excess of billings on uncompleted contracts	15,206	(20,500)
Inventories	2,425	(955)
Prepaid expenses and other current assets	(33)	252
Accounts payable	(18,356)	33,550
Accrued payroll and employee benefits	(4,145)	5,699
Accrued interest	483	18
Other current liabilities	250	(264)
Billings in excess of costs and recognized earnings on uncompleted contracts	15,740	(23,739)
Income taxes payable/receivable	(494)	4,515
Other liabilities	1,548	(29)
Net cash provided by (used in) operating activities	32,197	(3,475)
Investing activities		
Acquisitions of property, plant and equipment	(4,035)	(3,395)
Investment in joint venture	-	(4,050)
Proceeds from disposals of property, plant and equipment	739	31
Increase in other assets	(389)	(94)
Net cash used in investing activities	(3,685)	(7,508)
Financing activities		
Net payments on revolving line of credit	(24,413)	(1,132)
Principal payments on long-term debt	(3,000)	(7,648)
Proceeds from exercise of stock options and stock purchase plan	-	1
Payment of debt issuance costs	(259)	(2,603)
Purchase of treasury stock	(312)	(17,866)
Excess tax benefit of restricted stock awards	(92)	(138)
Net cash used in financing activities	(28,076)	(29,386)
Increase (decrease) in cash and cash equivalents	436	(40,369)
Cash and cash equivalents at beginning of year	7,634	48,003
Cash and cash equivalents at end of year	$ 8,070	$ 7,634
Supplemental schedule of non-cash investing and financing activities:		
Contribution of net assets from non-controlling interest	$ -	$ 4,216
Acquisition of treasury stock and assumption of debt	$ -	$ 56,954

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 30, 2012 and January 1, 2012

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Schuff International, Inc. and its wholly-owned subsidiaries ("Schuff" or the "Company") are primarily steel fabrication and erection contractors with headquarters in Phoenix, Arizona and operations in Arizona, Florida, Georgia, Texas, Kansas, California and the New York City area. The Company's construction projects are primarily in the aforementioned states and location, except for Kansas and the New York City area. In addition, the Company has construction projects in select international markets, primarily Panama. Its wholly-owned subsidiaries are Schuff Steel Company, Schuff Steel – Atlantic, L.L.C., Quincy Joist Company, Schuff Steel – Gulf Coast, Inc., On-Time Steel Management Holding, Inc., Schuff Steel Management Company – Southwest, Inc., Schuff Steel Company – Panama, S de RL, Schuff Steel Management Company – Colorado, L.L.C. (dormant) and Schuff Steel Management Company – Southeast, L.L.C. (dormant).

On July 1, 2011, the Company formed Schuff Hopsa Engineering, Inc. ("SHE"), a Panamanian joint venture providing steel fabrication services, with Empresas Hopsa, S.A. The Company has a 49% interest in SHE but controls the operations of SHE, as provided in the operating agreement. Therefore, the assets, liabilities, revenues and expenses of SHE are included in the consolidated financial statements of the Company. Empresas Hopsa, S.A.'s 51% interest in SHE is presented as a non-controlling interest component of total equity.

Stock Repurchase

On December 29, 2011, the Company repurchased approximately 5,600,000 shares of its common stock from its majority shareholders, Plainfield Asset Management, L.L.C. ("Plainfield") and D.E. Shaw Laminar Portfolios, LLC ("Shaw"), at a negotiated price of $13.25 per share. The Company used proceeds from a term loan and unsecured note, along with borrowings under its Credit Facility and excess cash to fund the purchase of the shares. As a result of the transaction, Plainfield and Shaw no longer hold any shares of common stock of the Company. The repurchased shares are recorded at cost and presented as treasury stock in the accompanying Statement of Stockholders' Equity.

Fiscal Year

The Company uses a 4-4-5 week quarterly cycle ending on the Sunday closest to December 31. Fiscal 2012 covered the period from January 2, 2012 to December 30, 2012 (hereinafter 2012). Fiscal 2011 covered the period from January 3, 2011 to January 1, 2012 (hereinafter 2011).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Schuff International, Inc. and all wholly-owned subsidiaries. The consolidated financial statements also include the assets, liabilities, revenues and expenses of its controlled subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

In accordance with accounting principles generally accepted in the United States, references in this report to the Company's (loss) earnings per share, net (loss) income and stockholders' equity attributable to its common shareholders do not include amounts attributable to non-controlling interests.

Operating Cycle

Balance sheet items expected to be paid or received within one year are classified as current. Assets and liabilities relating to long-term construction contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets, since they will be realized or liquidated in the normal course of contract completion, although completion may require more than one year.

Cash and cash equivalents

Cash consists of cash in interest bearing checking accounts. The Company considers all highly liquid investments purchased with original maturities of three months or less from the date of purchase to be cash equivalents. Certain of the Company's debt agreements require the Company to maintain a minimum cash balance of $5,000,000 at all times.

Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a specific reserve for questionable accounts and a general reserve. In accordance with industry practice, receivables include retainage, a portion of which may not be realized within one year. Management determines the allowance for doubtful accounts using historical experience and by evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible and recoveries of amounts previously written off are recorded in income when received. The Company does not routinely charge interest on past due amounts unless it must pursue formal collection or legal actions.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and receivables. The Company maintains cash and cash equivalents and certain other financial instruments with a large financial institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. At year end, there was $1,630,000 (denominated in U.S. dollars) being held in banks outside of the United States, none of which is covered by the FDIC. Concentrations of credit risk with respect to receivables are limited as the Company's customers tend to be larger general contractors on adequately funded projects and the Company has certain lien rights.

Inventories

Inventories, primarily steel components, are stated at the lower of cost or market under the first-in, first-out method.

Long-Lived Assets with Definite Lives

The Company continually evaluates whether events and circumstances have occurred that indicate potential impairment of long-lived assets, indicating the remaining balance of these assets may not be recoverable. When factors indicate that these assets should be evaluated for possible impairment, the Company's management uses several factors to measure impairment, including the Company's projection of future operating cash flows relating to these assets. No impairment losses were recorded in 2012 and 2011.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is determined on a straight-line basis over the estimated useful lives ranging from 5 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment. Leasehold improvements are amortized over the lives of the leases or estimated useful lives of the assets, whichever is shorter. When assets are sold or otherwise retired, the cost and accumulated depreciation are removed from the books and the resulting gain or loss is included in operating results. The Company periodically evaluates the carrying value of its property, plant, and equipment based upon the estimated cash flows to be generated by the related assets. If impairment is indicated, a loss is recognized. No impairment losses were recorded in 2012 and 2011.

Investments

Investments in non-wholly-owned companies are generally consolidated or accounted for under the equity method of accounting when the Company has a 20% to 50% ownership interest or exercises significant influence over the venture. If the Company's interest exceeds 50% or, if the Company has the power to direct the economic activities of the entity and the obligation to absorb losses, the results of the non-wholly-owned company are consolidated herein. All other investments are generally accounted for under the cost method.

Deferred Financing Costs

The Company capitalizes certain expenses incurred in connection with its long-term debt and line of credit obligations and amortizes them over the term of the respective debt agreement. The amortization expense of the deferred financing costs is included in interest expense on the consolidated statements of operations. If the Company redeems portions of its long-term debt prior to the maturity date, deferred financing costs are charged to expense on a pro rata basis.

Goodwill

Goodwill is not amortized. It is tested annually for impairment (and in interim periods if events or circumstances indicate that the related carrying amount may be impaired).

Goodwill is tested for impairment using a two-step process. The first step of the goodwill impairment test, which is used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

As a result of the Company's annual goodwill impairment test (performed on November 1, 2011), the Company concluded that the carrying value of one of its reporting units exceeded its fair value and resulted in an approximately $7,061,000 write-down of goodwill. The impairment resulted from a combination of factors, including the U.S. construction market downturn, a decline in margins for the reporting unit and continued depressed operating results and estimated future cash flows relating to the reporting unit.

The fair values of the Company's other reporting units exceeded the related carrying value and, therefore, impairment of the related goodwill was not indicated.

Changes in the carrying amount of goodwill for the year ended January 1, 2012 were as follows:

	Carrying Amount
	(in thousands)
Balance at January 3, 2011	$ 17,115
Impairment	7,061
Balance at January 1, 2012	$ 10,054

The Company performed its 2012 annual impairment assessment in December 2012 and concluded that no impairment was indicated. There were no changes in the carrying amount of goodwill for the year ended December 30, 2012.

Revenue and Cost Recognition

The Company performs its services primarily under fixed-price contracts and recognizes revenues and costs from construction projects using the percentage of completion method. Under this method, revenue is recognized based upon either the ratio of the costs incurred to date to the total estimated costs to complete the project or the ratio of tons fabricated to date to total estimated tons. Revenue recognition begins when work has commenced. Costs include all direct material and labor costs related to contract performance, subcontractor costs, indirect labor, and fabrication plant overhead costs, which are charged to contract costs as incurred. Revenues relating to changes in the scope of a contract are recognized when the work has commenced, the Company has made an estimate of the amount that is probable of being paid for the change and there is a high degree of probability that the charges will be approved by the customer or general contractor. At December 30, 2012 and January 1, 2012, the Company had $9,910,000 and $15,302,000, respectively, of unapproved change orders on open projects, for which it has recognized revenues on a percent complete basis in each fiscal year. While the Company has been successful in having the majority of its change orders approved in prior years, there is no guarantee that the majority of unapproved change orders at December 30, 2012 will be approved. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period a loss on a contract becomes determinable.

Construction contracts with customers generally provide that billings are to be made monthly in amounts which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Retentions on contract receivables are amounts due on progress billings, which are withheld until the completed project has been accepted by the customer.

Costs and recognized earnings in excess of billings on uncompleted contracts primarily represent revenue earned under the percentage of completion method which has not been billed. Billings in excess of related costs and recognized earnings on uncompleted contracts represent amounts billed on contracts in excess of the revenue allowed to be recognized under the percentage of completion method on those contracts.

Income (Loss) Per Common Share

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year before giving effect to stock options and unvested restricted stock grants. Diluted income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year after giving effect to stock options and unvested restricted stock grants.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized, net of any valuation allowance, for deductible temporary differences and net operating loss and tax credit carry forwards. The Company regularly evaluates the realizeability of its deferred tax assets by assessing its forecasts of future taxable income and reviewing available tax planning strategies that could be implemented to realize the deferred tax assets. Based on this evaluation, it was determined that realization of the deferred tax assets is more likely than not.

Stock-Based Compensation

The Company recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. Fair value of the restricted stock units awarded is based on the current traded price of the Company’s stock. Restricted stock grants (“Grants”) vest over three or five years. The Grants provide for accelerated vesting if there is a change in control (as defined in the agreements).

Self-insurance

The Company is self-insured for its medical and dental insurance and its employees’ workers’ compensation claims (up to certain stop-loss limits). An estimate for medical and dental insurance and workers’ compensation claims is charged to income for claims incurred but not paid, claims incurred but not reported and for future claims from injuries existing at year-end.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term maturity of these instruments. The carrying amounts of long term accounts receivable approximate fair value based on the collection analysis performed and recording of necessary reserves. The fair values of the Company's long term borrowings are estimated based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. Such values approximate the carrying value of the borrowings as of fiscal year end.

Derivative Financial Instruments

Any derivative financial instruments are recognized as either assets or liabilities at their fair value in the balance sheet with the changes in the fair value reported in current-period earnings.

Use of Estimates

The preparation of the Company’s consolidated financial statements in conformity with accounting principles generally accepted in the United States 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. The Company routinely evaluates its estimates, including those related to the extent of progress towards completion, contract revenues and contract costs on long-term contracts, bad debts, income taxes, impairment of long-lived assets, including goodwill, inventories, environmental matters and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Recently Issued Accounting Standards

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of this new guidance were effective for the Company in the first quarter of 2012. The adoption of this guidance did not have any significant impact on the Company’s operating results or financial position.

In September 2011, the FASB issued updated guidance on the assessment of goodwill impairment. This guidance allows companies to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step goodwill impairment test. The provisions of this new guidance are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted the new guidance as of January 2, 2012 and it did not have any significant impact on its consolidated results of operations or financial position.

In February 2013, the FASB amended its guidance on comprehensive income to improve the reporting of reclassifications out of accumulated other income. This guidance requires an entity to disclose additional information with respect to changes in accumulated other comprehensive income (AOCI) balances by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The provisions of this new guidance are effective in the first quarter of 2012. The Company does not expect the adoption of this standard to have a material effect on the Company's financial position, results of operations or cash flows.

2. Receivables and Contracts in Progress

Receivables consist of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Contract receivables:		
Contracts in progress	$ 69,177	$ 81,772
Unbilled retentions	26,743	22,787
Allowance for doubtful accounts	(99)	(44)
	95,821	104,515
Other receivables	1,153	493
	$ 96,974	$ 105,008

Substantially all of the Company's receivables are due from general contractors operating in Arizona, California, Colorado, Florida, Georgia, Nevada, Texas and Panama.

Costs and recognized earnings in excess of billings on uncompleted contracts and billings in excess of costs and recognized earnings on uncompleted contracts consist of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Costs incurred on contracts in progress	$ 531,000	$ 439,025
Estimated earnings	57,592	37,264
	588,592	476,289
Less progress billings	615,718	472,469
	$ (27,126)	$ 3,820
The above is included in the accompanying consolidated balance sheets under the following captions:		
Costs and recognized earnings in excess of billings on uncompleted contracts	$ 13,163	$ 28,369
Billings in excess of costs and recognized earnings on uncompleted contracts	(40,289)	(24,549)
	$ (27,126)	$ 3,820

3. Inventories

Inventories consist of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Raw materials	$ 17,838	$ 19,679
Work in process	328	926
Finished goods	180	166
	$ 18,346	$ 20,771

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Land	$ 22,426	$ 22,420
Buildings	29,635	29,635
Building and leasehold improvements	10,464	10,040
Machinery and equipment	57,716	56,650
Transportation equipment	3,874	3,793
Detailing equipment	269	269
Furniture and fixtures	2,650	2,754
EDP equipment	11,311	10,553
Construction in progress	2,500	2,547
	140,845	138,661
Less accumulated depreciation and amortization	69,492	63,250
	$ 71,353	$ 75,411

Depreciation expense was $7,782,000 and $8,449,000 for the years ended December 30, 2012 and January 1, 2012, respectively.

5. Accounts Payable

Accounts payable consists of the following at:

	December 30 2012	January 1 2012
	(in thousands)	
Accounts payable	$ 32,493	$ 52,457
Retentions payable	6,458	4,850
	$ 38,951	$ 57,307

6. Other Current Liabilities

Other current liabilities consist of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Sales, use and property taxes	$ 930	$ 1,131
Workers' compensation	2,426	2,581
Other	1,177	571
	$ 4,533	$ 4,283

7. Long-Term Debt and Line of Credit

Long-term debt consists of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Note payable collateralized by the Company's real estate, with interest payable monthly at the greater of LIBOR or 3% plus 11% and principal payable quarterly over a 3.75 year period and one final balloon payment of $15,250,000, maturing in 2015	$ 27,000	$ 30,000
Note payable to a bank under a revolving line of credit agreement, collateralized by the Company's assets, with interest payable monthly at the LIBOR plus 4.25 percent, maturing in 2016	-	24,413
Note payable to an international bank under a revolving line of credit agreement, collateralized by the Company's property and plant, with interest payable monthly at 5.25 percent plus 1 percent of the special interest compensation fund ("FECI"), renewing annually	-	-
Unsecured note payable to majority shareholder, with 13% interest payable annual in kind through an increase in the principal amount of the note, paid in 2013	1,410	1,410
	28,410	55,823
Less current portion	4,910	26,413
	$ 23,500	$ 29,410

Aggregate debt maturities are as follows (in thousands):

2013	4,910
2014	4,750
2015	18,750
2016	-
2017	-
	$ 28,410

On December 28, 2011, the Company obtained a $30,000,000 term loan (“Term Loan”) from GB Merchant Partners, LLC (“GB Merchant”). The loan is secured by a first priority, perfected security interest in all of the Company’s real estate and has 3.75 year amortization period requiring a quarterly principal payments and a final balloon payment at maturity. The loan has a floating interest rate of the greater of LIBOR or 3.0% plus an applicable margin (from 10.0% to 11.0%, based on the Company’s Leverage Ratio) and requires monthly interest payments.

On December 28, 2011, the Company signed a $1,410,000 unsecured note with the majority shareholder. The note has 13.0% annual interest rate, with interest payable annually in kind through an increase in the principal amount of the note. The principal balance (including any principal amount added as interest in kind) is payable at the earlier of demand or maturity of the note. The Term Loan restricted the repayment of the unsecured note. However, the Company paid the note plus all accrued interest in January 2013 after receiving the required waiver from GB Merchant.

The Company has a Credit and Security Agreement (“Credit Facility”) with Wells Fargo Credit, Inc. (“Wells Fargo”), pursuant to which Wells Fargo agreed to advance up to a maximum amount of $50,000,000 to the Company. On December 28, 2011, the Company amended its Credit Facility, pursuant to which Wells Fargo agreed to allow the Company to obtain the term loan from GB Merchant and extend the maturity date of the credit facility to May 31, 2016. The Credit Facility has a floating interest rate of LIBOR plus 4.25% (4.625% at December 30, 2012) and requires monthly interest payments.

The Credit Facility is secured by a first priority, perfected security interest in all of the Company's assets, excluding the real estate, and its present and future subsidiaries and a second priority, perfected security interest in all of the Company's real estate. The security agreements pursuant to which the Company's assets are pledged prohibit any further pledge of such assets without the written consent of the bank.

Both the Term Loan and the Credit Facility contain various restrictive covenants. At December 30, 2012, the Company was not in compliance with some of these covenants. The Company received waivers of such noncompliance from both GB Merchant and Wells Fargo dated March 14, 2013.

The Company has a Line of Credit Agreement ("International LOC") with Banco General, S.A. ("Banco General") in Panama pursuant to which Banco General agreed to advance up to a maximum amount of $3,500,000. The line of credit is secured by a first priority, perfected security interest in the SHE's property and plant. The interest rate is 5.25% plus 1% of the special interest compensation fund ("FECI"). The line of credit contains covenants that, among other things, limit the SHE's ability to incur additional indebtedness, change its business, merge, consolidate or dissolve and sell, lease, exchange or otherwise dispose of its assets, without prior written notice.

At December 30, 2012, the Company had no borrowings and $5,306,000 of outstanding letters of credit issued under its Credit Facility. There was $44,694,000 available under the Company's Credit Facility at December 30, 2012. At December 30, 2012, the Company had no borrowings and $530,000 of outstanding letters of credit issued under its International LOC. There was $2,970,000 available under the Company's International LOC at December 30, 2012.

The Company made interest payments of approximately $4,865,000, and $615,000 for the years ended December 30, 2012 and January 1, 2012, respectively, on its long-term debt and line of credit.

8. Income Taxes

Deferred tax assets and liabilities are composed of the following

	December 30, 2012		January 1, 2012	
	Current	Long-Term	Current	Long-Term
	(in thousands)			
Deferred tax assets:				
Compensation accrual	$ 858	$ -	$ 1,050	$ -
Accrued liabilities	241	-	331	-
Deferred rents payable	-	62	-	67
Stock-based compensation	15	-	21	-
Revenue recognition on contracts in progress	13	-	908	-
Inventory writedown	193	-	146	-
Allowance for doubtful accounts	30	-	17	-
Contribution carryforward	-	105	-	166
Self-insurance	515	-	718	-
Pension	-	674	-	-
Other	162	-	88	-
	2,027	841	3,279	233
Deferred tax liabilities:				
Property, plant and equipment basis difference	-	93	-	95
Accelerated depreciation	-	6,776	-	7,250
Other	-	40	-	31
	-	6,909	-	7,376
Net deferred tax assets (liabilities)	$ 2,027	$ (6,068)	$ 3,279	$ (7,143)

Significant components of the income tax provision are as follows:

	December 30 2012	January 1 2012
	(in thousands)	
Current:		
Federal	$ (405)	$ (2,406)
State	(75)	(299)
Foreign	(190)	(310)
	(670)	(3,015)
Deferred:		
Federal	(244)	1,201
State	68	26
	(176)	1,227
	$ (846)	$ (1,788)

The reconciliation of income tax computed at the U.S. federal statutory rates to the provision for income taxes is as follows:

	Year Ended	
	December 30 2012	January 1 2012
	(in thousands)	
Tax at U.S. federal statutory rates	$ (1,104)	$ 1,120
Goodwill impairment	-	(2,471)
State income taxes, net of federal tax benefit	(7)	(273)
Section 199 manufacturing deduction	82	227
Research & Development Credit	-	24
Effect of rates different than statutory	7	(13)
Other	176	(402)
	$ (846)	$ (1,788)

Total income tax payments for the years ended December 30, 2012 and January 1, 2012, were approximately $2,779,000 and $492,000, respectively. For the years ended December 30, 2012 and January 1, 2012, the Company received tax refunds of approximately $1,424,000 and $1,725,000, respectively.

The Company has not provided for U.S. income taxes or foreign withholding taxes on undistributed earnings of our foreign subsidiaries as they are considered to be reinvested indefinitely. Upon remittance of those earnings in the form of dividends or under other circumstances, the Company would be subject to both U.S. income taxes and withholding taxes payable to various foreign countries less an adjustment for foreign tax credits. It is not practical to estimate the amount of tax liability related to earnings of these foreign subsidiaries.

The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position when, based on the technical merits, it is “more-likely-than-not” that the tax position will be sustained upon examination.

As of December 30, 2012, the Company has unrecognized tax benefits of $2,839,000 that, if recognized, would favorably impact the Company’s effective tax rate. The Company does not anticipate a significant change in the total amount of unrecognized tax benefits during the next twelve months.

The Company may, from time to time, be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has received an assessment of interest and/or penalties, the interest has been classified as interest expense while the penalties have been classified as selling, general and administrative expense in the financial statements. As of December 30, 2012 and January 1, 2012, the Company has accrued $157,000 and $207,000, respectively, of interest related to uncertain tax positions.

The Company files U.S., state and foreign income tax returns with varying statutes of limitations. The 2008 through 2012 tax years generally remain subject to examination by the U.S. federal and state tax authorities. The 2010 through 2012 tax years remain subject to examination by the foreign tax authority.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	Year Ended December 30 2012	Year Ended January 1 2012
	(in thousands)	
Balance at beginning of year	$ 2,839	$ 2,839
Increases for tax positions taken in prior years	-	-
Decreases for tax positions taken in prior years	-	-
Decrease for tax positions due to lapse of statutes of limitations or close of audit	-	-
Settlements	-	-
Balance at end of year	$ 2,839	$ 2,839

9. Employee Retirement Plans

The Company maintains a 401(k) retirement savings plan which covers eligible employees and permits participants to contribute to the plan, subject to Internal Revenue Code restrictions. The plan also permits the Company to make discretionary matching contributions. The discretionary matching contributions are 100% vested three years from the employee's date of hire. On April 1, 2010, the Company suspended its discretionary matching contribution. The discretionary matching contributions were reinstated on September 1, 2011. Discretionary matching contributions amounted to approximately $825,000 and $230,000 for the years ended December 30, 2012 and January 1, 2012, respectively.

Certain of the Company's fabrication and erection workforce are subject to collective bargaining agreements. The Company contributes to union-sponsored, multi-employer pension plans. Contributions are made in accordance with negotiated labor contracts. The passage of the Multi-Employer Pension Plan Amendments Act of 1980 (the Act) may, under certain circumstances, cause the Company to become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the plans. Under the Act, liabilities would be based upon the Company's proportionate share of each plan's unfunded vested benefits.

Effective March 31, 2012, the Company withdrew from the Steelworkers Pension Trust and incurred a withdrawal liability of approximately $2,576,000. The Company is required to make quarterly payments of approximately $204,000 through December 1, 2015, with a final payment of approximately $152,000 due on March 1, 2016. Prior to its withdrawal from the Steelworkers Pension Trust, the Company made contributions of $202,000 and $584,000 during the years ended December 30, 2012 and January 1, 2012, respectively.

The Company made contributions to the California Ironworkers Field Pension Trust ("Field Pension") of $5,114,000 and $2,760,000 during the years ended December 30, 2012 and January 1, 2012, respectively. The Company's funding policy is to make monthly contributions to the plan. The Company's employees represent less than 5% of the participants in the Field Pension. As of December 30, 2012, the Company has not undertaken to terminate, withdraw, or partially withdraw from the Field Pension.

The Company has a 401(k) defined contribution retirement savings plan ("Union 401k") for union steelworkers. Contributions made to the Union 401k by union steelworkers are 100% vested immediately.

To replace the Company's funding into the Steelworkers Pension Trust, the Company agreed to make profit share contributions to the Union 401k beginning on April 1, 2012. Union steelworkers are eligible for the profit share contributions after completing a probationary period (640 hours of work) and are 100% vested three years from the date of hire. Union steelworkers are not required to make contributions to the Union 401k to receive the profit share contributions. Profit share contributions are made for each hour worked by each eligible union steelworker at the following rates: $1.45 per hour from April 1, 2012 to May 6, 2012; $0.45 per hour from May 7, 2012 to March 31, 2013; $0.50 per hour from April 1, 2013 to March 31, 2014 and $0.55 per hour from April 1, 2014 and beyond. Profit share contributions amounted to approximately $105,000 for the year ended December 30, 2012.

10. Income (Loss) Per Share

The following table sets forth the computation of basic and diluted income (loss) per share:

	Year Ended			
	December 30 2012		**January 1 2012**	
	(in thousands except per share data)			
Numerator:				
Net income (loss)	$	2,173	$	(5,032)
Denominator for basic income (loss) per share - weighted average shares		4,156		9,688
Effect of dilutive securities:				
Unvested restricted stock grants		4		-
Denominator for diluted income (loss) per share - adjusted weighted average shares and assumed conversions		4,160		9,688
Basic income (loss) per share:	$	0.52	$	(0.52)
Diluted income (loss) per share:	$	0.52	$	(0.52)

Unvested restricted stock grants of 73,993 shares were outstanding during 2011 but were not included in the computation of diluted net loss per share because the unvested restricted stock grants would be anti-dilutive due to the net loss.

11. Stock-Based Compensation

A summary of the status of the Company's nonvested shares as of December 30, 2012 and changes during the year ended December 30, 2012, is presented below:

	Shares		**Weighted-Average Grant-Date Fair Value**
Nonvested at January 2, 2012	73,993	$	15.20
Granted	3,000		15.00
Cancelled	(2,000)		15.00
Vested	(42,998)		15.35
Nonvested at December 30, 2012	31,995	$	15.00

The compensation cost that has been charged against operations for the Grants was $646,000 and $685,000 for 2012 and 2011, respectively. As of December 30, 2012, there was $440,000 of total unrecognized compensation cost related to nonvested Grants. That cost is expected to be recognized over a weighted-average period of less than one year. The total fair value of shares vested during the years ended December 30, 2012 and January 1, 2012, was $419,000 and $294,000, respectively. The compensation cost for share-based payment awards is included in general and administrative expenses on our consolidated statements of operations.

12. Related Party Transactions and Leases

The Company leases a property under terms of an operating lease agreement from a partnership owned by the majority shareholder and his family. The lease expires in 2017 and requires stipulated rent increases every five years based on the Consumer Price Index. The Company is also obligated to pay the partnership any taxes related to the lease payments.

Rent expense under the related party leases totaled approximately $694,000 for both of the years ended December 30, 2012 and January 1, 2012.

The Company also leases certain property, vehicles, and equipment from nonrelated parties for which it incurred rent expense of approximately $566,000 and $737,000 for the years ended December 30, 2012 and January 1, 2012, respectively.

Future minimum rentals (excluding taxes), by year, and in the aggregate under these noncancelable operating leases are as follows:

	Related Party	Nonrelated Party	Total
		(in thousands)	
2013	$ 720	$ 523	$ 1,243
2014	720	336	1,056
2015	720	301	1,021
2016	720	290	1,010
2017	120	94	214
	$ 3,000	$ 1,544	$ 4,544

13. Commitments and Contingencies

The Company is involved from time to time through the ordinary course of business in certain claims, litigation, and assessments. Due to the nature of the construction industry, the Company's employees from time to time become subject to injury, or even death, while employed by the Company. The Company does not believe there are any such contingencies at December 30, 2012 for which the eventual outcome would have a material adverse impact on the financial position, results of operations or liquidity of the Company, except as recorded in these financial statements.

On February 9, 2009, the Roosevelt Irrigation District ("RID") brought suit in the United States District Court for the District Court of Arizona against Salt River Project Agricultural Improvement and Power District and approximately one-hundred other defendants, including our subsidiary, Schuff Steel Company ("Schuff"). RID operates one-hundred groundwater wells in western Maricopa County and contends that approximately twenty of its wells are contaminated. RID asserts recovery against the defendants under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA" or "Superfund") for the recovery of costs incurred by RID in responding to the defendants' alleged releases or threatened releases of hazardous substances into groundwater that allegedly impact or threaten to impact the groundwater in the West Van Buren area of Phoenix, Arizona. RID has submitted an Early Response Action ("ERA") to the Arizona Department of Environmental Quality ("ADEQ") and has asserted future potential remediation costs in excess of $40,000,000. ADEQ received substantial public comment against the ERA. In July 2010, the ADEQ granted conditional approval to RID's remediation plan with a substantial number of conditions and milestones. Accordingly, RID amended its complaint and Schuff was served with the first amended complaint in late July 2010. Initially, most defendants filed either various motions to dismiss RID's complaint or motions for summary judgment based on certain legal theories but the Court dismissed these motions without prejudice to focus on substantial motions to disqualify counsel for RID based upon various conflicts of interest with RID's chosen counsel. The Court granted certain motions by five defendants to disqualify RID's counsel by order dated August 26, 2011. Currently, the court is attempting to determine and rule upon a method to implement the disqualification order. Until this issue concerning RID's counsel is resolved, legal filings with the court are prohibited. Most defendants have not answered the first amended complaint and it appears that additional Amended Complaints may be forthcoming. In the interim period, the RID has modified their ERA ("MERA") and proposed a reduced scale project which was given conditional approval by ADEQ on February 1, 2013. There are numerous complex legal, technical and practical issues surrounding the MERA as well as this environmental suit, which is at its initial stages. Schuff denies any liability to RID and intends to aggressively defend itself against any allegation that its operations contaminated the groundwater.

On February 5, 2010, Silver Steel, Inc. ("Silver") brought suit in Clark County, Nevada District Court (the "Court") against our subsidiary Schuff Steel Company ("Schuff') and our bonding company. Silver acted as second tier subcontractor to Schuff on the Sobella Retail project ("project"), which was part of the City Center Project in Las Vegas, Nevada. Silver agreed in October, 2007, to a fixed price of approximately $1,483,000 to perform metal deck installation and to perform extra work at agreed upon hourly rates. During the project, Silver submitted over 500 extra work orders ("EWO"), which were then bundled into proposed change orders ("PCO"). Twenty-four executed change orders were issued totaling approximately $3,305,000, for a total adjusted contract of approximately $4,788,000. Schuff has paid the adjusted contract value. Silver completed construction of the base scope of its work in August 2008. It performed extra work on the project into January 2009. Silver never complained during the project about any unpaid extra work or alleged impacts. Thereafter, on February 26, 2009, Silver first gave Schuff notice of a claim in PCO 43, in the amount of $666,000. Schuff arranged for Silver to present its claim to Perini Construction Company ("Perini"), the general contractor, which denied the claim, in part because there was no backup presented by Silver. Schuff claims that it was prejudiced by the late claim, because if it had been put on notice of an impact during the course of the project, it could have taken action to minimize the impact or to pass the claim upstream to Perini or the owner. Silver's initial claims in the litigation were for breach of contract, among other legal theories, against Schuff for allegedly unpaid work and its alleged damages, which had increased to $2,433,000. Schuff has denied any liability. In November 2011, Silver increased its total cost claim for damages to approximately $4,300,000. Schuff continues to dispute that Silver is entitled to any additional amounts and that the damages claims are incorrect and based upon unsupportable facts and assumptions. Trial in this matter occurred between February 7 and 21, 2012, and is now under submission with the Court.

In December 2012, two lawsuits were filed against our subsidiaries that involve fabrication work pertaining to a refinery in Whiting, Indiana ("BP Refinery"), owned by a subsidiary of British Petroleum ("BP"). In December 2012, BP brought suit in the United States District Court for the Northern District of Indiana (the "Indiana suit") against Carboline Company ("Carboline"), Trinity Steel Fabricators, Inc. ("Trinity"), our subsidiary, Schuff Steel Company ("Schuff"), Tecon Services, Inc. ("Tecon") and Alfred Miller Contracting Company ("AMC"), asserting contract and warranty claims as to Schuff, arising out of allegations that fireproofing applied to steel that Schuff and Trinity supplied to a modernization project at the BP Refinery was defectively fireproofed. The steel fabricators, Trinity and a Schuff subsidiary, subcontracted the application of the Pyrocrete® 241 to AMC and/or Tecon. These applicators purchased the Pyrocrete® 241 from the manufacturer, Carboline. BP alleges that the Pyrocrete® 241 is defective and causing damage to BP's property and that the defects are caused by the preparation or application of the Pyrocrete® 241, or by defects in the product itself. BP alleges that it has and will continue to incur substantial damages. BP has not quantified its damages; however, they are believed to be at least in the tens of millions of dollars. Remediation of the fireproofing has commenced but is not expected to be completed for some time, and total alleged damages will remain uncertain until that work is completed.

Also in December 2012, AMC and Tecon filed a Petition for Damages and Declaratory Judgment in the State Court of Louisiana (14th Judicial District Court, Parish of Calcasieu) (the "Louisiana suit"), against Carboline, BP Corporation North America Inc., BP Products North America, Inc. (collectively referred to as "BP entities"), Foster Wheeler USA Corporation, Fluor Enterprises, Inc, Trinity, our subsidiaries, Schuff and Schuff Steel – Gulf Coast, Inc. ("Gulf Coast"), Dynamic Industries, Inc. ("DII") and Land Coast Insulation, Inc. ("Landcoast"). AMC and Tecon allege, among other claims, that the Carboline Pyrocrete® 241 on the BP

Refinery project was defective and that Carboline breached warranties relating to it and made negligent and fraudulent misstatements concerning that product. AMC and Tecon also seek a court determination of the rights and responsibilities of the parties involved in the procurement, application, inspection, assembly and/or fabrication of the structural steel that had Pyrocrete® 241 applied to it.

The Schuff entities have filed answers and cross-claims in both lawsuits denying liability to BP and seeking indemnification and recovery on warranty from AMC and Tecon to the extent of any improper application and from Carboline to the extent any defect in the Pyrocrete® 241 when it was applied. Numerous complex procedural and substantive legal and factual issues have yet to be resolved. Formal discovery has just commenced. Schuff and Gulf Coast intend to aggressively defend themselves in this matter.

The Company is self-insured for its employees' workers' compensation claims. Under provisions of the policies, the Company has purchased stop/loss insurance to mitigate its risks against catastrophic injury-related events. The stop/loss amount for workers' compensation is $350,000 per employee per accident. At December 30, 2012 and January 1, 2012, the Company had an accrual of approximately $2,426,000 and $2,581,000, respectively, for workers' compensation claims incurred but not paid or reported and for future claims from injuries existing at year-end (see Note 6).

The Company is self-insured for its employees' medical and dental insurance claims. Under provisions of the policies, the Company has purchased stop/loss insurance to mitigate its risks against catastrophic medical events. The stop/loss amount for medical insurance claims is $300,000 per claimant and 110% of expected claims for each plan year. At December 30, 2012 and January 1, 2012, the Company had an accrual of approximately $1,997,000 and $2,160,000, respectively, for medical and dental insurance claims incurred but not paid or reported and for our terminal liability with our insurance service provider.

The Company has approximately $28,181,000 of performance bonds issued on its behalf as of December 30, 2012. The performance bonds were required by various general contractors to guarantee the Company's performance on projects.

14. Significant Customers

During 2012 and 2011, the Company had revenues from certain customers that were in excess of 10 percent of the respective year's revenues as follows:

	Year Ended	
	December 30 2012	**January 1 2012**
Customer A	11%	n/a
Customer B	10%	n/a
Customer C	n/a	11%

In addition, receivables from these customers represented the following percentages of total receivables at December 30, 2012 and January 1, 2012:

	December 30 2012	**January 1 2012**
Customer A	7%	n/a
Customer B	0%	n/a
Customer C	n/a	3%

During the years ended December 30, 2012 and January 1, 2012, the Company's revenues included approximately $29,885,000 and $13,317,000, respectively, relating to projects carried out internationally for which there was approximately $6,511,000 and $2,965,000 in accounts receivables at December 30, 2012 and January 1, 2012, respectively.

15. Quarterly Results of Operations (Unaudited)

A summary of the quarterly results of operations for the years ended December 30, 2012 and January 1, 2012 follows:

	2012			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
	(in thousands, except per share data)			
Revenues	$ 136,018	$ 111,001	$ 107,755	$ 92,273
Gross profit	11,960	10,968	12,283	10,881
Net income	508	813	568	284
Income per share:				
Basic	$ 0.12	$ 0.20	$ 0.14	$ 0.07
Diluted	$ 0.12	$ 0.20	$ 0.14	$ 0.07
Weighted average number of shares outstanding:				
Basic	4,159	4,158	4,150	4,155
Diluted	4,159	4,162	4,158	4,167

	2011			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
	(in thousands, except per share data)			
Revenues	$ 70,738	$ 89,782	$ 102,104	$ 129,537
Gross profit	9,501	8,280	11,086	14,151
Net income (loss)	258	(463)	733	(5,560)
Income (loss) per share:				
Basic	$ 0.03	$ (0.05)	$ 0.08	$ (0.59)
Diluted	$ 0.03	$ (0.05)	$ 0.08	$ (0.59)
Weighted average number of shares outstanding:				
Basic	9,757	9,757	9,757	9,482
Diluted	9,758	9,760	9,766	9,483

The 2012 and 2011 quarterly results for basic and diluted income (loss) per share, when totaled, may not equal the basic and diluted income (loss) per share for the years ended December 30, 2012 and January 1, 2012. These variances are due to rounding.

16. Backlog

The Company's backlog was $194,967,000 ($176,028,000 under contracts or purchase orders and $18,939,000 under letters of intent) and $258,831,000 ($198,150,000 under contracts or purchase orders and $60,681,000 under letters of intent) at December 30, 2012 and at January 1, 2012, respectively. The Company's backlog increases as contract commitments, letters of intent, notices to proceed and purchase orders are obtained, decreases as revenues are recognized and increases or decreases to reflect modifications in the work to be performed under the contracts, notices to proceed, letters of intent or purchase orders. The Company's backlog can be significantly affected by the receipt, or loss, of individual contracts. Approximately $59,294,000, representing 30.4% of the Company's backlog at December 30, 2012, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If one or more large contracts are terminated or their scope reduced, the Company's backlog could decrease substantially.

17. Subsequent Events

The entity has evaluated subsequent events through March 20, 2013, which is the date the consolidated financial statements were available to be issued. No subsequent events requiring disclosure were identified.