Operator: Greetings, and welcome to the Williams Industrial Services Group Update. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Deborah Pawlowski, Investor Relations, for Williams Industrial Services Group. Please go ahead.

Deborah Pawlowski: Thank you, Dana, and good afternoon, everyone. We certainly appreciate your time today and your interest in Williams Industrial Services Group.

As you are aware, Koontz-Wagner, formerly our Electrical Solutions segment under Global Power, filed a voluntary petition for relief under Chapter 7 of the U.S. Bankruptcy Code in the Southern District of Texas. During this call, we may interchangeably refer to Koontz-Wagner or KW. We will begin with brief comments and then open the call for questions. Please note this call is for institutional investors and analysts, so we will be only fielding questions from this group.

For the call today, I have with us our President and CEO, Tracy Pagliara, and our Interim Chief Financial Officer, Tim Howsman.

Before we begin, let me remind you that we may make some forward-looking statements during our brief address, as well as during the Q&A. These statements apply to future events which are subject to risks and uncertainties, as well as other factors, which could cause actual results to differ materially from what is stated here today. These risks and uncertainties, and other factors, are provided in this morning's comment release, as well as with other documents filed with the Securities and Exchange Commission. You can find these documents on our website at www.wisgrp.com or at sec.gov.

So, with that, let me turn the call to Tracy to begin. Tracy?

Tracy Pagliara: Thanks, Deb, and good afternoon, everyone. Let me start by providing some brief background information regarding Koontz-Wagner and how its filing under Chapter 7 came to be, but first of all, importantly, I want to point out that the bankruptcy is isolated to Koontz-Wagner and does not impact our Williams operating business.

As many of you will recall, we have been exploring strategic alternatives for Koontz-Wagner that would allow for the continued operation of the business since the fourth quarter of 2017. As part of that process, we engaged an investment banking firm to evaluate our options and then began an effort to sell Koontz-Wagner. Our first effort was to sell the whole Koontz-Wagner business, including its operations at the Houston, Texas, Caldwell, Idaho, and South Bend, Indiana facilities. Because of the substantial losses we incurred in Houston as a result of orders that were in backlog prior to June 30, 2017, that sales process was not successful. As a result, Koontz-Wagner then engaged a new investment banker and repositioned the sale on a facility-by-facility basis. That approach enabled prospective buyers to purchase just one or any combination of the businesses associated with the Houston, South Bend and/or Caldwell facilities. When we last talked, multiple strategic bidders were expressing interest in purchasing the businesses associated with the South Bend and Caldwell facilities; however, those bidders subsequently declined to proceed. Unfortunately, the financial results for both the South Bend and Caldwell facilities have been below expectations for 2018. In addition, the fact that Koontz-Wagner had been for sale for some time was making it difficult to build new backlog in South Bend and Caldwell. We also made attempts to sell the business under Chapter 11 of the U.S. Bankruptcy Code, but there were no viable offers and Koontz-Wagner could no longer fund its operations. The Chapter 7 filing was necessary as a result of these circumstances.

Let me also provide a few facts related to the filing.

Koontz-Wagner had approximately 225 employees that were notified this morning of the Koontz-Wagner bankruptcy and cessation of operations. There are four locations that have been closed as a result of the bankruptcy, two in South Bend and one each in Caldwell and Houston. Employees in those locations were paid through today, including accrued and unused vacation. They were also offered continuation of 60 days wages in exchange for completion of appropriate documents and return of company assets.

As for Williams, our lender has agreed to waive the event of default under the term loan agreement as a result of Koontz-Wagner's Chapter 7 bankruptcy filing. The lender also extended the mandatory prepayment date to April 1, 2020, and the financial covenant compliance date to June 30, 2020. We have reached an agreement in principle with the lender regarding new terms for refinancing the current term loan and will endeavor to finalize a new term loan agreement prior to August 31, 2018. We will also continue to advance our efforts to complete an ABL revolving credit facility in the meantime, as well.

We spent time earlier today talking with our customers to make sure they were clear that this does not impact our Williams operating business and we will continue to provide the high quality and safe service to which they are accustomed. The momentum behind Williams is growing and our backlog reflects that, as it's up to approximately $175 million at the end of the second quarter, compared with $150 million at the end of the first quarter. We can now focus our efforts on reducing costs, restructuring the organization, closing the Dallas office, obtaining an asset-based revolver and refinancing our term loan, while expanding Williams' business prospects.

With that, let me open the call for questions.

Operator: At this time, we will be conducting a question and answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment, please, while we poll for questions.

Once again, that is star, one if you would like to ask a question.

One moment, please, while we poll for questions.

Our first question comes from the line of Charles Neuhauser from Mainwall Investment Management. Please proceed with your question.

Charles Neuhauser: Hi. First of all, thanks for holding the conference call. Can you give us a little more insight into the financial impact of this on Williams, the continuing operation; meaning, what is this going to cost Williams, if anything, and what impact this has on the restricted cash on the balance sheet?

Tracy Pagliara: Tim, do you want to take that?

Timothy Howsman: Sure. As a result of effectively exiting out of the multi-employer pension plan for the union folks that we had in South Bend, there is a pension withdrawal liability that we'll be recording on the books. The 8-K disclosed that this morning. The amount of that is essentially $4.3 million, and that's the net present value of payments to be made over 20 years. Essentially, the monthly impact of that is a $22,000 per month cash outflow.

Additionally, Williams acts as a guarantor for the Houston facility lease. We're about a year-and-a-half into a 10-year lease there. In the 8-K, we disclosed that the maximum possible would be a net present value of $10 million. Certainly, we would not expect that to be the case, as we will immediately begin assessing the various alternatives that we have with that lease.

Then, the 60-day payment arrangement that we have with the employees should result in about $2.4 million of expense and cash flow here over the next couple months.

As far as the restricted cash, it doesn't have an impact on the restricted cash, per se. That is held up primarily by letters of credit, cash collateralization on our letters of credit, and we also have escrow from the Hetsco sale, at about $1 million on that. Now, as we move through the ABL process, one of our objectives is to try to get an LC facility without cash collateralization.

Charles Neuhauser: Right. So, my understanding, although I'm not as well informed as I should be, is that you've been forced to pay exorbitant penalty interest rates on the debt that you have existing now, and that one of the main objectives was to refinance everything so as to get out from under that exorbitant interest expense burden. I'm sure you've been looking into alternative financing arrangements for months now, so can you give us some idea of what you might be expecting to pay in the way of interest expense once you get things settled down and can, in fact, refinance the existing term loan and enter into an asset-backed revolver?

Timothy Howsman: Sure. As we've disclosed, we have reached a preliminary agreement. We have an agreement in principle on terms. It would be premature at this point to disclose any of that to the public, but obviously, we're working to bring that interest rate down. As you noted, it has been exorbitant. Between the PIK and the cash interest, we've been right at about a 20% interest rate, which is not sustainable for us and we are working very diligently to bring that down through the refinancing and also moving the maturity date for the long-term debt out a number of years, so that we don't continue to have to move maturity dates back on a quarter-by-quarter basis, which is what has happened sometimes in the past. With this Fifth Amendment that we've just executed, it does take us through the filing of the 10-K. The auditors have to look at a 12-month look-forward period in assessing going concern status. The amendment that was just signed takes us through that timeframe, but it's our intention to close on the refinancing way before year end.

Charles Neuhauser: Right. You mentioned something happening by August 30. Was that the term loan or the revolver?

Timothy Howsman: That's the term loan. We'll work diligently, and would love to, essentially, coordinate to where both are happening close to the same timeframe.

Charles Neuhauser: It's only 45 days from now, so that's not too far away. What sort of rates are current for the asset-backed revolver that you're contemplating?

Timothy Howsman: I'm not in a position right now to disclose what we have on the term sheets, but obviously, significantly below where we've been with the term loan.

Charles Neuhauser: Okay, thanks.

Operator: There are no further questions at this time, so I would like to turn the call back to Tracy for closing remarks.

Tracy Pagliara: Well, thanks, everyone, for—

Deborah Pawlowski: Tracy, sorry to interrupt, but we do have someone that just queued in, so maybe we can take Evan.

Operator: Okay. Our next question comes from Evan Wax from Wax Asset Management. Please proceed with your question.

Evan Wax: Hi. I was just wondering if you can give a breakdown. Right now, I think, we have about $26.5 million in debt, and in the 8-K, you mentioned there's a $4 million payment having to go to the term debt loan lenders for this Fifth Amendment. Will there be another payment for the refinance? Then, secondly, of that $26.5 million, what do you expect the split to be between the term loan and the ABL? Will we do the term loan for another $26.5 million or will we be able to bring that down with the ABL taking up part of the slack?

Timothy Howsman: First, let's talk about the $4 million amendment fee that will be capitalized into the loan. Again, that's the Fifth Amendment fee. Typically, there will be fees associated with the refinancing, not at that level, but when we're refinancing, we will incur some additional fees. As far as the ABL, we're looking for a facility on top of the capitalized amount at that time of the term loan.

Evan Wax: Okay. So, the term loan will stay around the same size?

Timothy Howsman: Yes, after the recapitalization.

Evan Wax: Right. So, you're saying, including the added $4 million fee, or whatever, we're talking probably a $30 million or so term loan?

Timothy Howsman: Again, it's premature to talk about the terms of the term loan, but it will be greater than the $26.5 million that we currently have. But remember back, that's a $45 million facility that we entered into.

Evan Wax: Got it. Thank you.

Operator: Ladies and gentlemen, we have reached the end of the question and answer session and I would like to turn the call back to Tracy for closing remarks.

Tracy Pagliara: Thanks, everybody, for joining us today and for your continued interest in Williams Industrial Services Group Inc. We look forward to speaking with you again in about five weeks when we issue our second quarter results. So, thanks very much and have a great day.

Operator: This concludes today's conference, you may disconnect your lines at this time. Thank you for your participation.