STERLING CONSTRUCTION CO INC
Form 424B4
January 20, 2006

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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-129780

PROSPECTUS

2,021,758 Shares
Sterling Construction Company, Inc.
Common Stock

We are offering to sell 1,700,000 shares of our common stock, and three of our stockholders are offering to sell an aggregate of 321,758 shares of our common stock. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders. The last reported sale price of our common stock on the American Stock Exchange, or AMEX, on January 19, 2006 (the last day on which we anticipate our common stock will trade on AMEX) was $15.65 per share. Our common stock will commence trading on The Nasdaq National Market, or Nasdaq, under the symbol STRL on January 20, 2006.

We have granted the underwriters the right to purchase up to 303,263 additional shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the offering.

Investing in our common stock involves risks. See Risk Factors beginning on page 8.

	Per Share	Total
Offering price	$15.00	$30,326,370
Discounts and commissions to underwriters	$ 1.05	$ 2,122,846
Offering proceeds to us, before expenses	$13.95	$23,715,000
Offering proceeds to the selling stockholders, before expenses	$13.95	$ 4,488,524

The underwriters expect to deliver the shares of common stock to investors on or about January 25, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

D.A. Davidson & Co. **Morgan Joseph**

The date of this prospectus is January 19, 2006

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the risks discussed under Risk Factors and the consolidated financial statements and notes thereto included elsewhere in this prospectus. In this prospectus, all references to Sterling Construction, we, us and our refer to Sterling Construction Company, Inc. and its subsidiaries, unless the context otherwise requires or indicates.

Our Company

We are a leading heavy civil construction company that specializes in the building and reconstruction of transportation and water infrastructure in large and growing markets in Texas. Our transportation infrastructure projects include highways, roads, bridges and light rail, and our water infrastructure projects include water, wastewater and storm drainage systems. We provide general contracting services primarily to public sector clients utilizing our own employees and equipment for activities including excavating, paving, pipe installation and concrete placement. We purchase the necessary materials for our contracts and generally engage subcontractors only for ancillary services.

Since the founding of our construction business in 1955, we have expanded our service profile and market areas. We currently operate in several major Texas markets, including Houston, San Antonio, Dallas/ Fort Worth and Austin, and believe that we have the capability to expand into other Gulf Coast and Southwestern markets. We also have broadened our range of services, from our original focus on water and wastewater projects, to include concrete and asphalt paving, concrete slip forming, installation of large-diameter water and wastewater distribution systems, construction of bridges and similar large structures, light rail infrastructure, concrete crushing and concrete batch plant operations.

For the nine months ended September 30, 2005, our construction business revenues of $157.8 million and net income from continuing operations of $5.5 million were 66% and 142% higher, respectively, than for the same period in 2004. At September 30, 2005, our contract backlog of $288 million was 24% higher than the $232 million of contract backlog at January 1, 2005. As of December 31, 2005, we estimate that our contract backlog was approximately $300 million, reflecting new contracts of approximately $80 million added during our fourth quarter and our preliminary estimate of billings that will be recorded for that quarter.

Our Competitive Strengths

We believe that our competitive strengths in the construction business include the following:

Long and Successful Track Record of Infrastructure Construction. Through our 50 years of experience, we have developed efficient processes and controls that allow us to provide high-quality contracting services for building roads, highways, bridges, light rail facilities and water, wastewater and storm drainage systems. Our expertise, coupled with strong underlying market dynamics, has produced compound annual revenue growth in our construction business that has averaged approximately 18% since 1985, and was 66% for the first nine months of 2005 compared to the comparable period in 2004.

Leadership in Our Markets. We are an established leader in our markets based on our longevity, our management expertise and our reputation, as well as our in-depth knowledge of soil and other construction conditions in our market areas. Our scale of operations allows us to deploy and redeploy work crews, materials and equipment across multiple contracts and provides us with advantages in competitive bidding environments. We are prequalified with all of our significant public sector customers that require qualification, including the Texas Department of Transportation, or TXDOT, a requirement that has the effect of limiting competition from some other bidders for highway contracts and, in some cases, for municipal contracts.

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Comprehensive Infrastructure Construction Capabilities. Over time, we have added construction services that provide us with competitive advantages. For example, from our base of water and wastewater work, we have added concrete and asphalt paving, concrete slip forming, installation of large-diameter water and wastewater distribution systems, construction of bridges and similar large structures, light rail infrastructure, concrete crushing and concrete batch plant operations. We currently perform approximately 75% of our work utilizing our own workforce and equipment. Our emphasis on providing comprehensive construction services allows us to capture additional profit margin that otherwise would be gained by subcontractors and to more aggressively bid contracts without sacrificing our profitability targets.

Consistent History of Managing Construction Projects and Contract Risk. Our significant experience and longevity in our markets provides us with an understanding of the many risks of infrastructure construction. We provide services predominantly pursuant to fixed unit price contracts, which, if properly managed, generally allow for better profit margin opportunities than cost-plus contracts. We monitor and manage risk throughout a contract s duration, including the bid process, the pre-construction planning activities and the construction process. Our project managers lead our estimating process, and our senior management reviews all bid proposals prior to submission, thereby increasing project managers accountability and understanding of the financial and operating risks and opportunities of our contracts. In addition, a significant portion of our project managers compensation is based on the profitability of contracts that they bid and manage, a policy which reinforces our goal of carefully and accurately bidding contracts.

Financial Strength. Our long-term debt-to-equity ratio as of September 30, 2005, giving effect to this offering and the anticipated repayment of certain related party notes described in Certain Transactions Contemplated Transactions as of that date, would have been approximately 25%, and we believe that we will have sufficient cash balances to meet our anticipated near-term liquidity needs. In addition, we have a substantial base of assets, including a fleet of over 500 pieces of heavy construction equipment, which allows for flexibility in meeting contract requirements and can provide an advantage over our competitors who lease their equipment. After this offering, we will have greater flexibility under our commercial bank line of credit to take advantage of appropriate expansion and acquisition opportunities in our markets. We believe that these financial strengths provide tangible benefits in the surety and credit markets, as well as intangible benefits in our relationships with customers, employees, suppliers and subcontractors.

Experienced Management Team and Skilled Workforce. Our management team and employees are critical to our success. Our chief executive officer and our president each has over 30 years of industry experience, and our 12 senior project managers have over 20 years of experience on average, in the infrastructure construction market. We benefit from their expertise, relationships with customers, suppliers and subcontractors, and the cohesive corporate culture that they have promoted and developed. We expend significant resources to attract, retain and train our employees, which is a key to the successful execution of our contracts. We conduct our construction business using full-time employees organized into more than 80 fully-equipped crews. We conduct extensive safety training programs, which have allowed us to maintain a high safety level at our worksites.

Our Business Strategy

We pursue the following strategies in order to improve our business and prospects, increase our revenue and profitability and, ultimately, enhance stockholder value:

Continue to Grow in Texas Markets. The Texas markets in which we operate, including Houston, San Antonio, Dallas/Fort Worth and Austin, generally are experiencing strong growth in infrastructure spending caused by factors such as an increasing population, increased federally-funded highway construction, a robust oil and gas economy, the need for new water sources, flood and subsidence control activities, and the installation of light rail public transit systems. We will continue our efforts to increase our market share in our core markets. Our strategy is to accomplish this by relying on our knowledge of local construction conditions coupled with our continued focus on infrastructure construction, by expanding and upgrading our equipment fleet, by adding construction crews, and by extending our range of construction capabilities.

Position Our Business for Future Infrastructure Spending. There is a growing awareness of the need to build, reconstruct and repair our country s infrastructure, including water, wastewater and flood control systems and transportation systems. Significant funds have recently been authorized for investments in these areas, including the new U.S. federal highway funding bill, or SAFETEA-LU bill, which authorized $286 billion toward transportation infrastructure (with approximately $14.5 billion allocated to Texas for federal fiscal years 2005 through 2009). In addition, the Harris-Galveston Subsidence District has mandated that substantially all well water systems in Houston be replaced with surface water systems, and we anticipate that there will be efforts in Texas and other Gulf Coast areas affected by recent hurricanes to enhance storm drainage systems. We will continue to build on our expertise in the civil construction market for transportation and water infrastructure, to develop new capabilities to service these markets and to maintain our human and capital resources to effectively meet required demand.

Continue Adding Construction Capabilities. By adding capabilities that are complementary to our core construction competencies, we are able to improve gross margin opportunities, more effectively compete for contracts and compete for contracts that might not otherwise be available to us. We continue to investigate opportunities to integrate additional services (such as drill shaft installation) and precast concrete products (such as beams and wall panels) into our business.

Expand into Attractive New Markets. We have demonstrated an ability to identify and expand into new markets where we have been able to operate profitably and grow. Our first expansion beyond Houston was in the Dallas/ Fort Worth market in 1995. In 2001, after obtaining an asphalt paving contract in San Antonio, we decided to establish a permanent presence in that market. Having recently been awarded a significant contract in the Austin area, we are now examining the potential for establishing a permanent office in Austin. We actively consider opportunities, and evaluate whether to establish a permanent presence, in new geographic areas based on factors such as market size and growth dynamics, competition, the availability of qualified employees and compatibility of unique local requirements with our own expertise. We currently believe that there are a number of attractive markets throughout Texas and in the Gulf Coast and Southwestern regions of the United States that present expansion opportunities for us.

Selectively Pursue Strategic Acquisitions. Our growth has been achieved both organically and through our acquisition of the Kinsel Heavy Highway construction business, or Kinsel, in 2002. We have been, and expect to continue, exploring acquisition opportunities that appear consistent with our return-on-investment goals and strategic objectives. In particular, we seek companies operated by talented management teams in growth markets and with a focus on infrastructure construction services. Ideal candidates would provide us with the ability to add construction services to our existing capabilities, as well as opportunities to provide an expanded service profile to the target s existing customer base. With our strong financial position and publicly traded common stock, we believe that we are an attractive acquiror for heavy civil construction firms whose owners desire to achieve liquidity.

Development of Employees. We believe that our employees are a key to the successful implementation of our business strategies. We plan to continue allocating significant resources in order to attract and retain talented managers and supervisory and field personnel.

Risks Related to Our Business and Strategy

You should carefully read and consider the information set forth below under Risk Factors, together with all of the other information set forth in this prospectus, before deciding to invest in shares of our common stock.

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Recent Developments

On December 22, 2005, we announced the following updated guidance for 2005, and initial guidance for 2006:

	Year Ending December 31, 2005		Year Ending December 31, 2006
	(In thousands)		
			Range
Revenues from continuing operations	$	210,000	$ 230,000 - $250,000
Income from continuing operations before income taxes	$	10,500	$ 11,500 - $ 13,000
Net income from continuing operations	$	6,800	$ 7,500 - $ 8,500

This guidance is forward-looking information that is subject to risks and uncertainties as described in this prospectus. See Guidance for certain assumptions, risks and uncertainties that should be considered in connection with our guidance about expected results of operations.

Our common stock has been approved to be listed on the Nasdaq National Market, or Nasdaq, under the symbol STRL on January 20, 2006. We anticipate that trading of our common stock on AMEX has been suspended effective at the close of market on January 19, 2006.

In December 2005, we announced that we had been awarded a $46 million construction contract by St. Paul Travelers, or Travelers, to complete a TXDOT project for the building of highways, bridges and related infrastructure at NASA Road 1 in the Clear Lake area south of Houston, Texas. Work is expected to commence in the first quarter of 2006 and is scheduled for completion in early 2008.

On December 23, 2005, our board of directors elected Milton L. Scott to fill the vacancy created by the simultaneous resignation of Robert M. Davies, who had earlier indicated his intention to resign upon the election of his successor. Mr. Scott was also appointed to our audit committee.

Recognizing the strong growth of our construction business, where management s efforts and our resources are likely to be best employed in the future, and following expressions of interest from potential buyers of our distribution business, in August 2005 our board of directors authorized management to sell that business, which is operated by our wholly-owned subsidiary, Steel City Products, LLC, or Steel City Products. Accordingly, we have reclassified our financial statements for all periods presented to reflect that business as discontinued operations. Unless otherwise noted, the discussion in this prospectus pertains only to our construction business.

Having recently outgrown the bonding limits of our prior bonding company, in October 2005 we were approved by a new bonding company, Travelers, for our future construction contracts.

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The Offering

Nasdaq symbol	STRL
Common stock offered by us	1,700,000 shares
Common stock offered by selling stockholders	321,758 shares
Common stock to be outstanding after the offering	10,186,881 shares
Use of proceeds	The net proceeds to us from this offering will be approximately \$22.9 million, or approximately \$27.2 million if the underwriters exercise their over-allotment option in full. We plan to use these net proceeds for: capital expenditures to acquire property, plant and equipment to more efficiently complete a number of projects in our contract backlog as well as position us to capitalize on future project opportunities; repayments of certain related party promissory notes as described in Certain Transactions Contemplated Transactions ; and other general corporate purposes, including working capital to increase our bonding capacity, to finance ongoing business operations and to fund future growth of our construction business and additions to our construction services capabilities. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders.

The number of shares of common stock outstanding after this offering is based on the number of shares outstanding as of December 30, 2005 and excludes:

- 1,045,575 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price per share of $2.558, which does not include 180,492 shares that will be issued pursuant to the exercise of options held by a selling stockholder and sold by him in this offering;

- 75,880 shares of common stock reserved for future awards under our stock option plans; and

- 386,073 shares of common stock reserved for issuance upon the exercise of outstanding warrants at an exercise price per share of $1.50, which does not include 141,266 shares that will be issued pursuant to the exercise of warrants held by two selling stockholders and sold by them in this offering.

Unless we indicate otherwise, the number of shares of common stock shown to be outstanding after the offering assumes no exercise by the underwriters of their option to purchase up to 303,263 additional shares of our common stock to cover over-allotments of shares.

Our Executive Offices

Our principal executive offices are located at 20810 Fernbush Lane, Houston, Texas 77073, and our telephone number at this address is (281) 821-9091. Our website is www.sterlingconstructionco.com. Information on, or accessible through, this website is not a part of, and is not incorporated into, this prospectus.

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Summary Historical Financial and Operating Data

The following table sets forth our summary historical consolidated financial and operating data for the periods indicated. The summary consolidated statement of operations data for the years ended December 31, 2002, 2003 and 2004, and the summary consolidated balance sheet data as of December 31, 2003 and 2004, have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. The summary consolidated balance sheet data as of December 31, 2002, have been derived from our audited consolidated balance sheet as of December 31, 2002, which is not included in this prospectus. The summary consolidated financial data as of and for the nine months ended September 30, 2004 and 2005, are derived from our unaudited consolidated financial statements, which are included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the unaudited periods. The summary historical financial and operating data as of and for the nine months ended September 30, 2005, are not necessarily indicative of the results that may be obtained for a full year. Contract backlog is not a measure defined in generally accepted accounting principles, or GAAP, and has not been derived from our consolidated financial statements.

In August 2005, our board of directors authorized management to sell the Steel City Products distribution business. Accordingly, we have reclassified our financial statements for all periods presented to reflect the business as discontinued operations.

The information presented below should be read in conjunction with Selected Historical Financial and Operating Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2002	2003	2004	2004	2005
				(Unaudited)	
	(Amounts in thousands, except share and per share data)				
Statement of Operations Data:					
Revenues	$ 111,747	$ 149,006	$ 132,478	$ 95,161	$ 157,805
Cost of revenues	98,935	131,181	119,217	83,970	141,541
Gross profit	12,812	17,825	13,261	11,191	16,264
General and administrative expenses, net	6,862	7,400	7,696	5,844	6,771
Operating income	5,950	10,425	5,565	5,347	9,493
Interest expense, net of interest income	2,427	1,842	1,456	1,053	1,198
Income from continuing operations before minority interest and income taxes	3,523	8,583	4,109	4,294	8,295
Minority interest(1)	873	1,627	962	862	
Income from continuing operations before income taxes	2,650	6,956	3,147	3,432	8,295
Income tax (benefit) expense	(174)	1,752	(2,134)	1,167	2,820

Net income from continuing operations		2,824		5,204		5,281		2,265		5,475
Net income from discontinued operations		528		215		372		342		532
Net income	$	3,352	$	5,419	$	5,653	$	2,607	$	6,007

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	Year Ended December 31,			Nine Months Ended September 30,	
	2002	2003	2004	2004	2005
				(Unaudited)	
	(Amounts in thousands, except share and per share data)				
Basic income per share:					
Continuing operations	$ 0.56	$ 1.02	$ 0.99	$ 0.43	$ 0.72
Discontinued operations	0.10	0.04	0.07	0.06	0.07
	$ 0.66	$ 1.06	$ 1.06	$ 0.49	$ 0.79
Diluted income per share:					
Continuing operations	$ 0.46	$ 0.80	$ 0.75	$ 0.32	$ 0.58
Discontinued operations	0.09	0.03	0.05	0.05	0.06
	$ 0.55	$ 0.83	$ 0.80	$ 0.37	$ 0.64
Weighted average number of shares outstanding used in computing per share amounts:					
Basic	5,061,598	5,089,849	5,342,847	5,274,730	7,638,261
Diluted	6,101,515	6,488,376	7,027,682	7,158,697	9,467,306
Balance sheet data (end of period):					
Cash and cash equivalents	$ 2,111	$ 2,651	$ 3,449	$ 2,851	$ 20,138
Working capital	9,556	6,834	16,052	18,167	22,599
Total assets	72,757	75,578	89,544	84,902	122,789
Total debt	32,784	20,058	29,379	24,347	30,011
Stockholders equity	10,825	16,636	35,208	19,900	43,202
Other operating data:					
Depreciation and amortization	$ 3,755	$ 4,690	$ 4,545	$ 3,487	$ 3,826
Capital expenditures	4,245	4,340	3,555	2,527	9,948
Contract backlog at end of period (unaudited)(2)	138,000	141,000	232,000	227,000	288,000

(1) Minority interest represents the 19.9% of Texas Sterling Construction, L.P., which along with its predecessors we refer to as TSC, not owned by us until December 2004. See Note 16 of Notes to Consolidated Financial Statements for the fiscal year ended December 31, 2004, included in this prospectus.

(2) Contract backlog is our estimate of the billings that we expect to make in future periods on our construction contracts. We add the revenue value of new contracts to our contract backlog, typically when we are the low bidder on a public sector contract and management determines that there are no apparent impediments to award of the contract. As construction on our contracts progresses, we increase or decrease contract backlog to take

account of changes in estimated quantities under fixed unit price contracts, as well as to reflect changed conditions, change orders and other variations from initially anticipated contract revenues and costs, including completion penalties and bonuses. We subtract from contract backlog the amounts we bill on contracts.

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RISK FACTORS

An investment in our common stock involves various risks. Before making an investment in our common stock, you should carefully consider the following risks, as well as the other information contained in this prospectus, including our consolidated financial statements and the notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations. The risks described below are those which we believe are the material risks that we face. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price of our common stock could decline, and you could lose a part or all of your investment.

Risks Relating to Our Business

If we are unable to accurately estimate the overall risks or costs when we bid on a contract which is ultimately awarded to us, we may achieve a lower than anticipated profit or incur a loss on the contract.

Substantially all of our revenues and contract backlog are typically derived from fixed unit price contracts. Fixed unit price contracts require us to perform the contract for a fixed unit price irrespective of our actual costs. As a result, we realize a profit on these contracts only if we successfully estimate our costs and then successfully control actual costs and avoid cost overruns. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, then cost overruns may cause us to incur losses or cause the contract not to be as profitable as we expected. This, in turn, could negatively affect our cash flow, earnings and financial position.

The costs incurred and gross profit realized on such contracts can vary, sometimes substantially, from the original projections due to a variety of factors, including, but not limited to:

- onsite conditions that differ from those assumed in the original bid;
- delays caused by weather conditions;
- contract modifications creating unanticipated costs not covered by change orders;
- changes in availability, proximity and costs of materials, including steel, concrete, aggregate and other construction materials (such as stone, gravel and sand), as well as fuel and lubricants for our equipment;
- availability and skill level of workers in the geographic location of a project;
- our suppliers or subcontractors failure to perform;
- fraud or theft committed by our employees;
- mechanical problems with our machinery or equipment;
- citations issued by any governmental authority, including the Occupational Safety and Health Administration;
- difficulties in obtaining required governmental permits or approvals;
- changes in applicable laws and regulations; and
- claims or demands from third parties alleging damages arising from our work or from the project of which our work is part.

Many of our contracts with public sector customers contain provisions that purport to shift some or all of the above risks from the customer to us, even in cases where the customer is partly at fault. Our practice in many instances has been to supersede these terms with an agreement to obtain insurance covering both the customer and ourselves. In cases where insurance is not obtained, our experience has often been that public sector customers have been willing to negotiate equitable adjustments in the contract compensation or completion time provisions if unexpected circumstances arise. If we are unable to

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obtain insurance, and if public sector customers seek to impose contractual risk-shifting provisions more aggressively, we could face increased risks, which may adversely affect our cash flow, earnings and financial position.

Economic downturns or reductions in government funding of infrastructure projects, or the cancellation of significant contracts, could reduce our revenues and profits and have a material adverse effect on our results of operations.

Our business is highly dependent on the amount of infrastructure work funded by various governmental entities, which, in turn, depends on the overall condition of the economy, the need for new or replacement infrastructure, the priorities placed on various projects funded by governmental entities and federal, state or local government spending levels. Decreases in government funding of infrastructure projects could decrease the number of civil construction contracts available and limit our ability to obtain new contracts, which could reduce our revenues and profits.

Contracts that we enter into with governmental entities can usually be canceled at any time by them with payment only for the work already completed. In addition, we could be prohibited from bidding on certain governmental contracts if we fail to maintain qualifications required by those entities. A sudden cancellation of a contract or our debarment from the bidding process could cause our equipment and work crews to remain idled for a significant period of time until other comparable work became available, which could have a material adverse effect on our business and results of operations.

Our operations are focused in Texas, and any adverse change to the economy or business environment in Texas could significantly affect our operations, which would lead to lower revenues and reduced profitability.

Our operations are concentrated in Texas, and primarily in the Houston area. Because of this concentration in a specific geographic location, we are susceptible to fluctuations in our business caused by adverse economic or other conditions in this region, including natural or other disasters. A stagnant or depressed economy in Texas generally or in Houston specifically, or in any of the other markets that we serve, could adversely affect our business, results of operations and financial condition.

Our industry is highly competitive, with a variety of larger companies with greater resources competing with us, and our failure to compete effectively could reduce the number of new contracts awarded to us or adversely affect our margins on contracts awarded.

Essentially all of the contracts on which we bid are awarded through a competitive bid process, with awards generally being made to the lowest bidder, but sometimes recognizing other factors, such as shorter contract schedules or prior experience with the customer. Within our markets, we compete with many national, regional and local construction firms. Some of these competitors have achieved greater market penetration than we have in the markets in which we compete, and some have greater financial and other resources than we do. In addition, there are a number of national companies in our industry that are larger than us that, if they so desired, could establish a presence in our markets and compete with us for contracts. As a result, we may need to accept lower contract margins in order to compete against competitors that have the ability to accept awards at lower prices or have a pre-existing relationship with a customer. If we are unable to compete successfully in our markets, our relative market share and profits could be reduced.

Our dependence on subcontractors and suppliers of materials (including petroleum-based products) could increase our costs and impair our ability to complete contracts on a timely basis or at all, which would adversely affect our profits and cash flow.

We rely on third-party subcontractors to perform some of the work on many of our contracts. We do not bid on contracts unless we have the necessary subcontractors committed for the anticipated scope of the contract and at prices that we have included in our bid. Therefore, to the extent that we cannot engage subcontractors, our ability to bid for contracts may be impaired. In addition, if a subcontractor is unable to deliver its services according to the negotiated terms for any reason, including the deterioration of its financial condition, we may suffer delays and be required to purchase the services from another source at a higher price. This may reduce the profit to be realized, or result in a loss, on a contract.

We also rely on third-party suppliers to provide all of the materials (including aggregates, concrete, steel and pipe) for our contracts. We do not own any quarries, and there are no naturally occurring sources of aggregate in the Houston metropolitan area. We do not bid on contracts unless we have commitments from suppliers for the materials required to complete the contract and at prices that we have included in our bid. Thus, to the extent that we cannot obtain commitments from our suppliers for materials, our ability to bid for contracts may be impaired. In addition, if a supplier is unable to deliver materials according to the negotiated terms of a supply agreement for any reason, including the deterioration of its financial condition, we may suffer delays and be required to purchase the materials from another source at a higher price. This may reduce the profit to be realized, or result in a loss, on a contract.

Diesel fuel and other petroleum-based products are utilized to operate the equipment used in our construction contracts. Decreased supplies of such products relative to demand and other factors can cause an increase in their cost. Future increases in the costs of fuel and other petroleum-based products used in our business, particularly if a bid has been submitted for a contract and the costs of such products have been estimated at amounts less than the actual costs thereof, could result in a lower profit, or a loss, on a contract.

We may not be able to fully realize the revenue anticipated by our reported contract backlog.

As of September 30, 2005, our contract backlog was approximately $288 million. Almost all of our contracts are awarded by public sector customers through a competitive bid process, with the award generally being made to the lowest bidder. We add new contracts to our contract backlog, typically when we are the low bidder on a public sector contract and management determines that there are no apparent impediments to award of the contract. As construction on our contracts progresses, we increase or decrease contract backlog to take account of changes in estimated quantities under fixed unit price contracts, as well as to reflect changed conditions, change orders and other variations from initially anticipated contract revenues and costs, including completion penalties and bonuses. We subtract from contract backlog the amounts we bill on contracts.

Most of the contracts with our public sector customers can be terminated at their discretion. If a customer cancels, suspends, delays or reduces a contract, we may be reimbursed for certain costs but typically will not be able to bill the total amount that had been reflected in our contract backlog. Cancellation of one or more contracts that constitute a large percentage of our contract backlog, and our inability to find a substitute contract, would have a material adverse effect on our business, results of operations and financial condition.

If we are unable to attract and retain key personnel, our ability to bid for and successfully complete contracts may be negatively impacted.

Our ability to attract and retain reliable, qualified personnel is a significant factor that enables us to successfully bid for and profitably complete our work. This includes members of our management, project managers, estimators, supervisors, foremen and laborers. The loss of the services of any of our management could have a material adverse effect on us. Our future success will also depend on our ability to attract and retain highly-skilled personnel. Competition for these employees is intense, and we could experience difficulty hiring and retaining the personnel necessary to support our business. If we do not succeed in retaining our current employees and attracting new highly-skilled employees, our reputation may be harmed and our future earnings may be negatively impacted.

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Our contracts may require us to perform extra or change order work, which can result in disputes and adversely affect our working capital, profits and cash flows.

Our contracts generally require us to perform extra or change order work as directed by the customer even if the customer has not agreed in advance on the scope or price of the extra work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project plans and specifications or, if the customer agrees that the work performed qualifies as extra work, the price that the customer is willing to pay for the extra work. These disputes may not be settled to our satisfaction. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved by the customer and we are paid by the customer.

To the extent that actual recoveries with respect to change orders or amounts subject to contract disputes or claims are less than the estimates used in our financial statements, the amount of any shortfall will reduce our future revenues and profits, and this could have a material adverse effect on our reported working capital and results of operations. In addition, any delay caused by the extra work may adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates.

Our failure to meet schedule or performance requirements of our contracts could adversely affect us.

In most cases, our contracts require completion by a scheduled acceptance date. Failure to meet any such schedule could result in additional costs, penalties or liquidated damages being assessed against us, and these could exceed projected profit margins on the contract. Performance problems on existing and future contracts could cause actual results of operations to differ materially from those anticipated by us and could cause us to suffer damage to our reputation within the industry and among our customers.

Timing of the award and performance of new contracts could have an adverse effect on our operating results and cash flow.

At any point in time, a substantial portion of our revenues may be derived from a limited number of large construction contracts. It is generally very difficult to predict whether and when new contracts will be offered for tender, as these contracts frequently involve a lengthy and complex design and bidding process, which is affected by a number of factors, such as market conditions, financing arrangements and governmental approvals. Because of these factors, our results of operations and cash flows may fluctuate from quarter to quarter and year to year, and the fluctuation may be substantial.

The uncertainty of the timing of contract awards may also present difficulties in matching the size of work crews with contract needs. In some cases, we may maintain and bear the cost of a ready work crew that is larger than currently required, in anticipation of future employee needs for existing contracts or expected future contracts. If a contract is delayed or an expected contract award is not received, we would incur costs that could have a material adverse effect on our anticipated profit.

In addition, the timing of the revenues, earnings and cash flows from our contracts can be delayed by a number of factors, including adverse weather conditions such as prolonged or intense periods of rain, storms or flooding, delays in receiving material and equipment from suppliers and changes in the scope of work to be performed. Such delays, if they occur, could have an adverse effect on our operating results for a particular period.

Our dependence on a limited number of customers could adversely affect our business and results of operations.

Due to the size and nature of our construction contracts, one or a few customers have in the past and may in the future represent a substantial portion of our consolidated revenues and gross profits in any one year or over a period of several consecutive years. For example, in fiscal 2004, approximately 58% of our revenues was generated from three customers. Similarly, our contract backlog frequently reflects multiple contracts for individual customers; therefore, one customer may comprise a significant percentage of contract backlog at a certain point in time. An example of this is TXDOT, with which we had 20 contracts representing an aggregate of approximately 70% of our contract backlog at September 30, 2005. The loss of business from any one of such customers could have a material adverse effect on our business or results of operations. Because we do not maintain any reserves for payment defaults, a default or delay in payment on a significant scale could materially adversely affect our business, results of operations and financial condition.

We may incur higher costs to acquire and maintain equipment necessary for our operations, and the market value of our equipment may decline.

We have traditionally owned most of the construction equipment used to build our projects, and we do not bid on contracts for which we do not have, or cannot quickly procure (whether through acquisition or lease), the necessary equipment. To the extent that we are unable to buy construction 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 building contracts. In addition, our equipment requires continuous maintenance for which we maintain our own repair facilities. If we are unable to continue to maintain the equipment in our fleet, we may be forced to obtain third-party repair services, which could increase our costs.

The market value of our equipment may unexpectedly decline at a faster rate than anticipated. Such a decline would reduce the borrowing base under our construction business credit facility, thereby reducing the amount of credit available to us and impeding our ability to expand our business consistent with historical levels.

Unanticipated adverse weather conditions may cause delays, which could slow completion of our contracts and negatively affect our revenues and cash flow.

Because all of our construction projects are built outdoors, work on our contracts is subject to unpredictable weather conditions. For example, evacuations due to Hurricane Rita resulted in our inability to perform work on all Houston-area contracts for several days. Lengthy periods of wet weather will generally interrupt construction, and this can lead to under-utilization of crews and equipment, resulting in less efficient rates of overhead recovery. While revenues can be recovered following a period of bad weather, it is generally impossible to recover the efficiencies, and hence, we may suffer reductions in the expected profit on contracts.

An inability to obtain bonding could limit the number of contracts that we are able to pursue.

As is customary in the construction business, we are required to provide surety bonds to secure our performance under construction contracts. Our ability to obtain surety bonds primarily depends upon our capitalization, working capital, past performance, management expertise and reputation and certain external factors, including the overall capacity of the surety market. Surety companies consider such factors in relationship to the amount of our contract backlog and their underwriting standards, which may change from time to time. For instance, we recently outgrew the bonding limits of our prior surety bonding company and arranged a new source of bonding. Events that affect the insurance and bonding markets generally may result in bonding becoming more difficult to obtain in the future, or being available only at a significantly greater cost. Our inability to obtain adequate bonding, and, as a result, to bid on new contracts, could have a material adverse effect on our future revenues and business prospects.

Our operations are subject to hazards that may cause personal injury or property damage, thereby subjecting us to liabilities and possible losses, which may not be covered by insurance.

Our workers are subject to the usual hazards associated with providing services on construction sites. Operating hazards can cause personal injury and loss of life, damage to or destruction of property, plant and equipment and environmental damage. We self-insure our workers compensation claims, subject to stop-loss insurance coverage. We also maintain insurance coverage in amounts and against the risks that we believe are consistent with industry practice, but this insurance may not be adequate to cover all losses or liabilities that we may incur in our operations.

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 also be required to use working capital to satisfy these claims 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 claims, or unfavorable developments on existing claims, our operating results and financial condition could be materially and adversely affected.

Environmental and other regulatory matters could adversely affect our ability to conduct our business and could require expenditures that could have a material adverse effect on our results of operations and financial condition.

Our operations are subject to various environmental laws and regulations relating to the management, disposal and remediation of hazardous substances and the emission and discharge of pollutants into the air and water. We could be held liable for such contamination created not only from our own activities but also from the historical activities of others on our project sites or on properties that we acquire. Our operations are also subject to laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances. Violations of such laws and regulations could subject us to substantial fines and penalties, cleanup costs, third-party property damage or personal injury claims. In addition, these laws and regulations have become, and are becoming, increasingly stringent. Moreover, we cannot predict the nature, scope or effect of legislation or regulatory requirements that could be imposed, or how existing or future laws or regulations will be administered or interpreted, with respect to products or activities to which they have not been previously applied. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could require us to make substantial expenditures for, among other things, pollution control systems and other equipment that we do not currently possess, or the acquisition or modification of permits applicable to our activities.

Our acquisition strategy involves a number of risks.

In addition to organic growth of our construction business, we intend to pursue growth through the acquisition of companies or assets that may enable us to expand our project skill-sets and capabilities, enlarge our geographic markets, add experienced management and increase critical mass to enable us to bid on larger contracts. However, we may be unable to implement this growth strategy if we cannot reach agreement on potential acquisitions on acceptable terms or for other reasons. Moreover, our acquisition strategy involves certain risks, including:

difficulties in the integration of operations and systems;

the key personnel and customers of the acquired company may terminate their relationships with the acquired company;

we may experience additional financial and accounting challenges and complexities in areas such as tax planning and financial reporting;

we may assume or be held liable for risks and liabilities (including for environmental-related costs) as a result of our acquisitions, some of which we may not discover during our due diligence;

our ongoing business may be disrupted or receive insufficient management attention; and

we may not be able to realize the cost savings or other financial benefits we anticipated.

Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on terms acceptable to us. Moreover, to the extent that any acquisition results in additional

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goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

We may be unable to sustain our historical revenue growth rate.

Our revenue has grown rapidly in recent years. Our revenue increased by 66% from $95.2 million in the first nine months of 2004 to $157.8 million in the first nine months of 2005. However, we may be unable to sustain our recent revenue growth rate for a variety of reasons, including limits on additional growth in our current markets, less success in competitive bidding for contracts, limitations on access to necessary working capital and investment capital to sustain growth, limitations on access to bonding to support increased contracts and operations, the inability to hire and retain essential personnel and to acquire equipment to support growth, and the inability to identify acquisition candidates and successfully integrate them into our business. A decline in our revenue growth could have a material adverse effect on our financial condition and results of operations, if we are unable to reduce the growth of our operating expenses at the same rate.

Terrorist attacks have impacted, and could continue to negatively impact, the U.S. economy and the markets in which we operate.

Terrorist attacks, like those that occurred on September 11, 2001, have contributed to economic instability in the United States, and further acts of terrorism, violence or war could affect the markets in which we operate, our business and our expectations. Armed hostilities may increase, or 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.

Our discontinued operations subject us to continuing liabilities and other risks.

We will remain subject to the liabilities of Steel City Products distribution business until it is sold. Because we have reclassified the business as being held for sale, customers may become concerned about the continued viability of the business and may purchase their products elsewhere, and suppliers may become concerned about the continued viability of the business and limit shipments to us, thereby decreasing the revenues and income earned by the business. For similar reasons, we may have difficulty attracting and retaining qualified personnel, the business s reputation may be harmed, and future earnings may be negatively impacted. We may also have difficulty finding a purchaser for the business, and we will incur costs in connection with the disposition of the business and could continue to remain responsible for certain liabilities after a sale. As a result, we may record a loss from discontinued operations, and we may also incur a loss upon the sale of the business. In addition, we may have contractual or other further liabilities with respect to the discontinued operations after a sale of the distribution business is completed.

Risks Related to Our Financial Results and Financing Plans

Actual results could differ from the estimates and assumptions that we use to prepare our financial statements.

To prepare financial statements in conformity with GAAP, management is required to make estimates and assumptions, as of the date of the financial statements, which affect the reported values of assets and liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Areas requiring significant estimates by our management include contract costs and profits and application of percentage-of-completion accounting and revenue recognition of contract change order claims; provisions for uncollectible receivables and customer claims and recoveries of costs from subcontractors, suppliers and others; valuation of assets acquired and liabilities assumed in connection with business combinations;

accruals for estimated liabilities, including litigation and insurance reserves; and the value of our deferred tax assets. Our actual results could differ from those estimates.

In particular, as is more fully discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies, we recognize contract revenue using the percentage-of-completion method. Under this method, estimated contract revenue is recognized by applying the percentage of completion of the contract for the period to the total estimated cost for the contract. Estimated contract losses are recognized in full when determined. Contract revenue and total cost estimates are reviewed and revised on a continuous basis as the work progresses and as change orders are initiated or approved, and adjustments based upon the percentage of completion are reflected in contract revenue in the accounting period when these estimates are revised. To the extent that these adjustments result in an increase, a reduction or an elimination of previously reported contract profit, we recognize a credit or a charge against current earnings, which could be material.

We may need to raise additional capital in the future for working capital, capital expenditures and/or acquisitions, and we may not be able to do so on favorable terms or at all, which would impair our ability to operate our business or achieve our growth objectives.

We have historically relied upon financing from management to support a portion of our growth, but we do not expect to utilize such source for financing in the future. In addition, our growth has been funded in part by our utilization of net operating loss carry-forwards, or NOLs, to reduce the amounts that we have paid for income taxes, and we expect our NOLs to be fully utilized in 2007. To the extent that cash flow from operations is insufficient to make future investments, make acquisitions or provide needed additional working capital, we may require additional financing from other sources of funds.

Our ability to obtain such additional financing in the future will depend in part upon prevailing capital market conditions, as well as conditions in our business and our operating results; such factors may affect our efforts to arrange additional financing on terms satisfactory to us. We have pledged substantially all of our fixed assets as collateral in connection with our credit facilities, and our bonding capacity is dependent on maintaining an acceptable level of unencumbered working capital. As a result, we may have difficulty in obtaining additional financing in the future if such financing requires us to pledge our assets as collateral. In addition, under our credit facilities, we must obtain the consent of our lenders to incur any amount of additional debt from other sources (subject to certain exceptions). If future financing is obtained by the issuance of additional shares of common stock, our stockholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to make future investments, take advantage of acquisitions or other opportunities, or respond to competitive challenges.

We are subject to financial and other covenants under our credit facilities that could limit our flexibility in managing our business.

Our construction business and our discontinued operations each has a revolving credit facility that restricts the respective borrowers from engaging in certain activities, including restrictions on the ability (subject to certain exceptions) to:

make distributions and dividends;

incur liens or encumbrances;

incur indebtedness;

guarantee obligations;

dispose of a material portion of assets or otherwise engage in a merger with a third party;

pledge accounts receivable, in the case of the Steel City Products revolving credit facility; and incur negative income for two consecutive quarters, in the case of the construction business revolving credit facility.

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Our credit facilities contain financial covenants that require us to maintain, in the case of the construction business revolving credit facility, a specified debt ratio and cash flow coverage ratio, and in the case of the Steel City Products revolving credit facility, a specified fixed charge coverage ratio. Our ability to borrow funds for any purpose will depend on our satisfying these tests. If we are unable to meet the terms of the financial covenants or fail to comply with any of the other restrictions contained in our credit facility agreements, an event of default could occur. An event of default, if not waived by our lenders, could result in the acceleration of any outstanding indebtedness, causing such debt to become immediately due and payable. If such an acceleration occurs, we may not be able to repay such indebtedness on a timely basis. Because our construction business credit facility is secured by substantially all of the construction business fixed assets and the Steel City Products revolving credit facility is secured by substantially all of the Steel City Products assets, acceleration of this debt could result in foreclosure of those assets. In addition, our Steel City Products revolving credit facility includes a subjective acceleration clause. In the event of a foreclosure, we would be unable to conduct our business and may be forced to discontinue operations.

We may not be able to utilize all of our NOLs if we experience an ownership change, and, even absent an ownership change, we expect that our NOLs will be fully utilized in 2007.

As of September 30, 2005, we had NOLs of approximately $38.9 million. These NOLs will expire in the years 2005 through 2020, although the amount available in any year to offset our net taxable income will be reduced if we experience an ownership change as defined in the Internal Revenue Code of 1986, as amended, or the Code. The tax laws pertaining to NOLs may be changed from time to time such that the NOLs may not be available to shield our future income from federal taxation. In addition, our attempts to minimize the likelihood that an ownership change will occur may not be successful. Finally, we expect that most of our federally-taxable income will be offset by NOLs through 2007, which is when we expect to have used up all of our NOLs. After the NOLs become unavailable to us or are fully utilized, our future income will not be shielded from federal income taxation, thereby reducing funds otherwise available for general corporate purposes.

Changes to the current tax laws could result in the imposition of entity level taxation on our construction operating subsidiary, which would result in a reduction in our anticipated cash flow.

Our construction operating subsidiary is organized as a partnership, which generally is not subject to entity level federal income or state franchise tax in the jurisdiction in which it is organized and operates. Current laws may change, subjecting our construction operating subsidiary to entity level taxation. For example, because of state budget deficits, the Texas legislature has been considering and evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If Texas were to impose an entity-level tax upon our construction operating subsidiary, there would be a reduction in our net income and after-tax cash flow.

We will be exposed to risks relating to the evaluations of internal controls over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002.

We are currently in the process of evaluating our internal control systems to allow management to report on, and our independent auditors to attest as to the effectiveness of, our internal controls over financial reporting. We will be performing the systems and process evaluations and testing (and making any necessary remediation) required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. These systems are designed to produce accurate financial reports and to prevent fraudulent financial activity. We expect to be required to comply with Section 404 beginning with our Annual Report on Form 10-K for the year ending December 31, 2006. However, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations. Furthermore, upon completion of this process, we may identify control deficiencies of varying degrees of severity under applicable Securities and Exchange Commission, or SEC, and Public Company Accounting Oversight Board rules and regulations, which may remain unremediated. As a public company, we will be required to report, among other things, control deficiencies that constitute a material weakness or changes in internal controls that, or that are reasonably likely to, materially affect internal controls over financial reporting. A material weakness is a significant control weakness, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. If we fail to implement the requirements of Section 404 in a timely manner, we may be subject to sanctions or investigation by regulatory authorities such as the SEC or Nasdaq. In addition, if any material weakness or deficiency is identified or is not remedied, investors may lose confidence in the accuracy of our reported financial information, and our stock price could be significantly adversely affected as a result.

Risks Related to Our Common Stock and This Offering

Market prices of our equity securities have changed significantly and could change further.

The market price of our common stock has substantially increased since June 2005, at a rate exceeding our growth in earnings generally. The price may decline from its current levels in response to various factors and events beyond our control, including the following:

- a shortfall in operating revenue or net income from that expected by securities analysts and investors;
- changes in securities analysts estimates of our financial performance or the financial performance of our competitors or companies in our industry generally;
- general conditions in our industry;
- announcements of significant contracts by us or our competitors;
- the passage of legislation or other regulatory developments that affect us adversely;
- general conditions in the securities markets;
- the limited trading volume of our common stock;
- investor expectations resulting from the filing of the registration statement, of which this prospectus is a part;
- our issuance of a significant number of shares of our common stock upon exercise of employee stock options or warrants; and
- the other risk factors described herein.

Limited trading volume of our common stock may contribute to its price volatility.

The average daily trading volume during 2005 for our common stock as reported by AMEX was approximately 83,000 shares, and for the quarter ended December 31, 2005, the average daily trading volume was approximately 89,000 shares. Even if we achieve a wider dissemination by means of the shares offered pursuant to this prospectus, or as a result of our move to Nasdaq, we are uncertain as to whether a more active trading market in our common stock will develop. As a result, relatively small trades may have a significant impact on the price of our common stock.

Fluctuations in our quarterly revenues, operating results and contract backlog may lead to reduced prices for our common stock.

Because our operating results are primarily generated from a limited number of significant construction contracts, operating results in any given fiscal quarter can vary depending on the timing of progress achieved and changes in the estimated profitability of the contracts being reported. Progress on contracts may also be delayed by unanticipated adverse weather conditions. Such delays, if they occur,

may result in fluctuating quarterly operating results, which may in turn lead to reduced prices for our common stock.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the market price of our common stock appreciates above the price that you pay for it.

We currently do not plan to declare dividends on shares of our common stock for the foreseeable future. Furthermore, the payment of dividends by us is restricted by our credit facilities. See Dividend Policy for more information. Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our common stock appreciates and you sell your shares at a profit.

Future sales of our common stock in the public market could lower our stock price.

Our principal stockholders, directors and executive officers will beneficially own approximately 2.7 million shares of our common stock after completion of this offering. These stockholders will be free to sell those shares, subject to the limitations of Rule 144 or Rule 144(k) under the Securities Act of 1933, as amended, or the Securities Act (which are discussed under Shares Eligible for Future Sale), and, subject to certain exceptions, the 120-day lock-up agreements that certain of these stockholders have entered into with the underwriters. In addition, the holders of warrants to purchase 527,339 shares of our common stock (143,730 of which are not subject to lock-up agreements) have registration rights that allow them to participate in any public offering of our shares (with certain exceptions). Registration of these restricted shares of common stock would permit their sale into the public market immediately. We cannot predict when these stockholders may sell their shares or in what volumes. However, the market price of our common stock could decline significantly if these stockholders sell a large number of shares into the public market after this offering or if the market believes that these sales may occur.

We may also issue our common stock from time to time as consideration for future acquisitions and investments. In the event that any such acquisition or investment is significant, the number of shares of our common stock that we may issue could in turn be significant. In addition, we may also grant registration rights covering those shares in connection with any such acquisition and investment.

Delaware law, our charter documents and our rights agreement may impede or discourage a takeover or change of control.

Our rights agreement, certain provisions of our restated and amended certificate of incorporation, as amended, our bylaws and the provisions of Delaware law described below under Description of Capital Stock, individually or collectively, may impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which could affect the market price of our common stock.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements are included throughout this prospectus, including in the sections entitled Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words anticipate, assume, believe, budget, continue, could, estimate, expect, forecast, intend, may, plan, potential, pred and similar terms and phrases to identify forward-looking statements in this prospectus.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows.

Actual events, results and outcomes may differ materially from our expectations due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, the following:

- changes in general economic conditions or reductions in government funding for infrastructure services;
- adverse economic conditions in our markets in Texas;
- delays or difficulties related to the completion of our contracts, including additional costs, reductions in revenues or the payment of completion penalties or liquidated damages;
- actions of suppliers, subcontractors, customers, competitors and others which are beyond our control;
- the estimates inherent in our percentage-of-completion accounting policies;
- possible cost escalations associated with our fixed-price contracts;
- our dependence on a few significant customers;
- adverse weather conditions;
- the presence of competitors with greater financial resources and the impact of competitive services and pricing;
- our ability to successfully identify, complete and integrate acquisitions; and
- the other factors discussed in more detail under Risk Factors.

Potential investors are urged to consider these factors carefully in evaluating any forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements that we make in this prospectus are reasonable, we can provide no assurance that such plans, intentions or expectations will be achieved.

The forward-looking statements included herein are made only as of the date of this prospectus, and we undertake no obligation to update any information contained in this prospectus or to publicly release the results of any revisions to any forward-looking statements that may be made to reflect events or circumstances that occur, or that we become aware of, after the date of this prospectus, except as may be required by applicable securities laws.

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USE OF PROCEEDS

Our net proceeds from the sale of 1,700,000 shares of our common stock in this offering will be approximately $22.9 million ($27.2 million if the underwriters option to purchase additional shares is exercised in full), after deducting underwriting discounts and commissions and estimated offering expenses. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders. Net proceeds does not reflect cash of approximately $484,000 anticipated to be received by us from the exercise of stock options and warrants underlying shares offered by the selling stockholders.

We intend to use the net proceeds from this offering for:

- capital expenditures to acquire property, plant and equipment to more efficiently complete a number of projects in our contract backlog as well as position us to capitalize on future project opportunities;
- repayments of certain related party promissory notes as described in Certain Transactions Contemplated Transactions ; and
- other general corporate purposes, including working capital to increase our bonding capacity, to finance ongoing business operations and to fund future growth of our construction business and additions to our construction services capabilities.

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MARKET PRICE OF COMMON STOCK

Our common stock traded on AMEX under the symbol STV through January 19, 2006 and will begin trading on Nasdaq under the symbol STRL on January 20, 2006. The quarterly market high and low sales prices for our common stock for 2003, 2004 and 2005 are summarized below:

	High	Low
Year Ended December 31, 2003		
First Quarter	$ 1.95	$ 1.16
Second Quarter	$ 2.80	$ 1.55
Third Quarter	$ 4.45	$ 2.20
Fourth Quarter	$ 5.35	$ 2.75
Year Ended December 31, 2004		
First Quarter	$ 8.94	$ 3.60
Second Quarter	$ 4.60	$ 2.99
Third Quarter	$ 6.33	$ 3.02
Fourth Quarter	$ 6.40	$ 4.32
Year Ended December 31, 2005		
First Quarter	$ 7.97	$ 5.16
Second Quarter	$ 9.00	$ 6.70
Third Quarter	$ 28.35	$ 7.25
Fourth Quarter	$ 26.30	$ 16.71
Year Ended December 31, 2006		
First Quarter (through January 19, 2006)	$ 17.24	$ 15.05

On January 19, 2006, the closing sale price of our common stock as reported on the AMEX was $15.65 per share. At January 19, 2006, there were approximately 9,700 holders of record of our common stock.

DIVIDEND POLICY

We have never paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings in our business, and we do not anticipate paying any cash dividends. Whether or not we declare any dividends will be at the discretion of our board of directors, considering then-existing conditions, including our financial condition and results of operations, capital requirements, bonding prospects, contractual restrictions (including those under our revolving credit agreements), business prospects and other factors that our board of directors considers relevant.

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CAPITALIZATION

The following table sets forth our cash, cash equivalents and capitalization as of September 30, 2005:

on an actual basis; and

on an as adjusted basis, reflecting the completion of the anticipated repayment of certain related party promissory notes described in Certain Transactions Contemplated Transactions and the application of the net proceeds from this offering, after deducting $1.8 million for the underwriting discounts and commissions payable by us and estimated offering expenses of approximately $767,000, as set forth under Use of Proceeds.

You should read this table in conjunction with Use of Proceeds, Selected Historical Financial and Operating Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto included elsewhere in this prospectus. Cash and cash equivalents do not reflect cash of approximately $484,000 anticipated to be received by us from the exercise of stock options and warrants underlying shares offered by the selling stockholders.

	At September 30, 2005	
	Actual	**As adjusted**
	(Amounts in thousands, except share data)	
Cash and cash equivalents	$ 20,138	$ 34,637
Debt:		
Current maturities of long-term debt(1)(4)	$ 2,235	$ 651
Steel City Products revolving credit facility(2)	4,302	4,302
Long-term debt:		
Construction business revolving credit facility(3)	15,742	15,742
Related party notes(1)(4)	6,865	
Mortgages	809	809
Other indebtedness	58	58
Total debt	$ 30,011	$ 21,562
Stockholders equity:		
Common stock, $0.01 par value, 14,000,000 shares authorized; 8,147,483 shares issued and outstanding, actual; 10,169,241 shares issued and outstanding, as adjusted(5)	$ 81	$ 98
Preferred stock, $0.01 par value, 1,000,000 shares authorized; no shares issued and outstanding		
Accumulated deficit	(39,385)	(39,385)
Additional paid-in capital	82,506	105,437
Total stockholders equity	$ 43,202	$ 66,150
Total capitalization	$ 53,075	$ 53,075

(1) Current maturities of long-term debt include $528,000 of principal on related party notes, which was due and paid in December 2005.

(2) Steel City Products revolving credit facility provides for revolving loans up to a maximum of $5.0 million with a maturity date of May 31, 2007. The interest rate at September 30, 2005 was 6.75%. Steel City Products has been classified as discontinued operations in our financial statements.

(3) The construction business revolving credit facility provides for revolving loans up to a maximum of $17.0 million with a maturity date of May 1, 2007. The interest rate at September 30, 2005 was 6.75%.

(4) See Management s Discussion and Analysis of Financial Condition and Results of Operations Other Debt and Certain Transactions for a discussion of the existing related party notes and the planned prepayment with cash in connection with this offering.

(5) As of September 30, 2005, we had 8,147,483 shares of common stock outstanding; 1,252,873 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price per share of $2.558; 75,880 shares of common stock reserved for future awards under our stock option plans; and 527,339 shares of common stock reserved for issuance upon the exercise of outstanding warrants at an exercise price per share of $1.50.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables set forth our summary historical consolidated financial and operating data for the periods indicated. The summary consolidated statement of operations data for the years ended December 31, 2002, 2003 and 2004, and the summary consolidated balance sheet data as of December 31, 2003 and 2004, have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. The summary consolidated statement of operations data for 2000 and 2001, and balance sheet data as of February 28, 2001 and December 31, 2001 and 2002, have been derived from our audited consolidated financial statements, which are not included in this prospectus. The summary consolidated financial data as of and for the nine months ended September 30, 2004 and 2005, are derived from our unaudited consolidated financial statements, which are included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the unaudited periods. The summary historical financial and operating data as of and for the nine months ended September 30, 2005, are not necessarily indicative of the results that may be obtained for a full year. Contract backlog is not a measure defined in GAAP and has not been derived from our consolidated financial statements.

In August 2005, our board of directors authorized management to sell the Steel City Products distribution business. Accordingly, we have reclassified our financial statements for all periods presented to reflect the business as discontinued operations.

The information presented below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included elsewhere in this prospectus.

	Year Ended February 28,	Year Ended December 31,				Nine Months Ended September 30,	
	2001(1)	2001(1)(2)	2002	2003	2004	2004	2005
						(Unaudited)	
	(Amounts in thousands, except share and per share data)						
Statement of Operations Data:							
Revenues	$	$ 48,654	$ 111,747	$ 149,006	$ 132,478	$ 95,161	$ 157,805
Cost of revenues		44,694	98,935	131,181	119,217	83,970	141,541
Gross profit		3,960	12,812	17,825	13,261	11,191	16,264
General and administrative expenses, net	1,283	2,741	6,862	7,400	7,696	5,844	6,771
Operating (loss) income	(1,283)	1,219	5,950	10,425	5,565	5,347	9,493
Interest expense, net of interest income	1,675	1,919	2,427	1,842	1,456	1,053	1,198
(Loss) income from continuing operations before loss from equity	(2,958)	(700)	3,523	8,583	4,109	4,294	8,295

investments, minority interest and income taxes							
Loss from equity investments	(4,557)	(1,217)					
Minority interest(3)		647	873	1,627	962	862	
(Loss) income from continuing operations before income taxes	(7,515)	(2,564)	2,650	6,956	3,147	3,432	8,295
Income tax (benefit) expense	(160)		(174)	1,752	(2,134)	1,167	2,820
Net (loss) income from continuing operations	(7,355)	(2,564)	2,824	5,204	5,281	2,265	5,475
Net income (loss) from discontinued operations	683	(62)	528	215	372	342	532
Net (loss) income	$ (6,672)	$ (2,626)	$ 3,352	$ 5,419	$ 5,653	$ 2,607	$ 6,007

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	Year Ended February 28,	Year Ended December 31,				Nine Months Ended September 30,	
	2001(1)	2001(1)(2)	2002	2003	2004	2004	2005
						(Unaudited)	
	(Amounts in thousands, except share and per share data)						
Basic (loss) income per share:							
Continuing operations	$ (1.49)	$ (0.51)	$ 0.56	$ 1.02	$ 0.99	$ 0.43	$ 0.72
Discontinued operations	0.14	(0.01)	0.10	0.04	0.07	0.06	0.07
	$ (1.35)	$ (0.52)	$ 0.66	$ 1.06	$ 1.06	$ 0.49	$ 0.79