

STERLING CONSTRUCTION CO INC

Form 424B3

December 04, 2009

Table of Contents

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-152371

**SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS SUPPLEMENT DATED DECEMBER 3, 2009**

**PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated August 4, 2008)**

2,400,000 Shares

Sterling Construction Company, Inc.

Common Stock

We are offering to sell 2,400,000 shares of our common stock. Our common stock is listed on The NASDAQ Global Select Market, or Nasdaq, under the symbol **STRL**. The last reported sale price on Nasdaq on December 2, 2009 was \$17.07.

We have granted the underwriters the right to purchase up to 360,000 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, including those described under **Risk Factors on page S-8 of this prospectus supplement.**

	Per Share	Total
Offering price	\$	\$
Discounts to underwriters	\$	\$
Offering proceeds to us, before expenses	\$	\$

The underwriters expect to deliver the shares of common stock to investors on or about , 2009.

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

D.A. Davidson & Co.

BB&T Capital Markets

The date of this prospectus supplement is _____, 2009

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

<u>Summary</u>	S-1
<u>Risk Factors</u>	S-8
<u>Cautionary Comment Regarding Forward-Looking Statements</u>	S-20
<u>Use of Proceeds</u>	S-22
<u>Market Price of Common Stock</u>	S-23
<u>Dividend Policy</u>	S-23
<u>Capitalization</u>	S-24
<u>Selected Historical Financial and Operating Data</u>	S-26
<u>Unaudited Pro Forma Condensed Combined Financial Information</u>	S-29
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	S-35
<u>Business</u>	S-50
<u>Management</u>	S-63
<u>Principal Stockholders</u>	S-65
<u>Shares Eligible For Future Sale</u>	S-67
<u>Underwriting</u>	S-68
<u>Legal Matters</u>	S-71
<u>Experts</u>	S-71
<u>Where You Can Find More Information</u>	S-71
<u>Index to Financial Statements</u>	F-1

Prospectus

<u>Sterling Construction Company, Inc.</u>	1
<u>Risk Factors</u>	2
<u>Cautionary Comment Regarding Forward-Looking Statements</u>	11
<u>Use of Proceeds</u>	12
<u>Ratio of Earnings to Fixed Charges</u>	12
<u>Description of Capital Stock</u>	12
<u>Description of Debt Securities</u>	15
<u>Description of Warrants</u>	27
<u>Description of Units</u>	27
<u>Plan of Distribution</u>	28
<u>Legal Matters</u>	29
<u>Experts</u>	29
<u>Where You Can Find More Information</u>	29

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement, which describes the terms of this offering of shares of our common stock, supplements the accompanying prospectus, which provides more general information. Generally, when we refer to the prospectus, we are referring to this prospectus supplement and the accompanying prospectus combined. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement contains information about the shares of our common stock offered in this offering and may add to, update or change the information in the accompanying prospectus. Before you invest in shares of our common stock, you should carefully read this prospectus supplement, along with the accompanying prospectus, in addition to the information contained in the documents incorporated by reference into this prospectus supplement and referred to under the heading **Where You Can Find More Information**.

You should rely only on the information contained or incorporated by reference in this prospectus supplement or in any related free writing prospectus filed with the Securities and Exchange Commission and used or referred to in an offering to you of these securities. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

MARKET DATA AND FORECASTS

Unless otherwise indicated, information in this prospectus supplement and the accompanying prospectus concerning economic conditions and our industry is based on information from independent industry analysts and publications, as well as our estimates. Our estimates are derived from publicly available information released by third-party sources, as well as data from our internal research, and are based on such data and our knowledge of our industry. None of the independent industry publications used in this prospectus supplement and the accompanying prospectus were prepared on our or our affiliates' behalf, and none of the sources cited in this prospectus supplement and the accompanying prospectus have consented to the inclusion of any data from its reports, nor have we sought their consent. These industry publications generally indicate that they have obtained their information from sources believed to be reliable, but the sources do not guarantee the accuracy and completeness of their information.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the risks discussed under Risk Factors, Cautionary Comment Regarding Forward-Looking Statements and the consolidated financial statements and notes thereto included elsewhere in this prospectus supplement and the accompanying prospectus and incorporated by reference herein and therein. In this prospectus, all references to Sterling, Sterling Construction, we, us, our and the Company refer to Sterling Construction Company, Inc. and its subsidiaries, unless otherwise stated or indicated by the context. Beginning December 3, 2009, our subsidiaries include Ralph L. Wadsworth Construction Company, LLC, or RLW (including Ralph L. Wadsworth Construction Company, Inc., its predecessor prior to a statutory conversion).

Our Company

We are a leading heavy civil construction company that specializes in the building, reconstruction and repair of transportation and water infrastructure. Transportation infrastructure projects include highways, roads, bridges, light rail and commuter rail. Water infrastructure projects include water, wastewater and storm drainage systems. Sterling provides general contracting services primarily to public sector clients, including excavating, concrete and asphalt paving, installation of large-diameter water and wastewater distribution systems; construction of bridges and similar large structures; construction of light rail and commuter rail infrastructure; and concrete batch plant operations, concrete crushing and aggregates operations. We perform the majority of the work required by our contracts with our own crews and equipment.

Our business has a history of profitable growth, which we have achieved by expanding both our service profile and our market areas. This involves adding services, such as concrete operations and design-build project delivery capabilities, in order to capture a greater percentage of available work in current and potential markets. It also involves strategically expanding operations, either by establishing an office in a new market, often after having successfully bid on and completed a project in that market, or by acquiring a company that gives us an immediate entry into a market.

We operate principally in Texas, Utah and Nevada, which are three states that management believes benefit from both positive long-term demographic trends as well as an historical commitment to funding transportation and water infrastructure projects. From 2000 to 2008, the populations of Texas, Utah and Nevada grew 17%, 23% and 30%, respectively, compared to approximately 8% for the national average. Spending on highways and bridges in 2010 is budgeted or proposed at \$4.2 billion by the Texas Department of Transportation, or TXDOT, at \$618 million by the Utah Department of Transportation, or UDOT, and up to \$400 million by the Nevada Department of Transportation, or NDOT. Management anticipates that continued population growth and increased spending for infrastructure in these markets will positively affect business opportunities over the coming years.

Prior to our acquisition of RLW, as discussed below, we had revenues of \$319 million for the nine months ended September 30, 2009, 4.4% higher than the same period in 2008. Over the same period, we had net income attributable to Sterling common stockholders of \$22.9 million, 61.2% higher than results for the same period in 2008. As of September 30, 2009, Sterling and RLW had aggregate backlogs totaling approximately \$569 million.

Ralph L. Wadsworth Construction Company Acquisition

On December 3, 2009, we completed the acquisition of privately-owned Ralph L. Wadsworth Construction Company, LLC, or RLW, which is headquartered in Draper, Utah, near Salt Lake City. RLW is a heavy civil construction business focused on the construction of bridges and other structures, roads and highways, and light and commuter rail projects, primarily in Utah, with licenses to do business in surrounding states. We paid approximately \$64.7 million to acquire 80% of the equity interests in RLW, and, in 2013, we have the

S-1

Table of Contents

option to purchase, and the RLW sellers could require us to purchase, the remaining 20% of RLW from four related individuals who continue to manage the operations of RLW.

RLW's largest customer is UDOT, which is responsible for planning, constructing, operating and maintaining the more than 6,000 miles of highway and over 1,700 bridges that make up the Utah state highway system. RLW strives to provide efficient, timely and profitable execution of construction projects, with a particular emphasis on structures and innovative construction methods. RLW has significant experience in obtaining and profitably executing design-build and CM/GC (construction manager/general contractor) projects. We believe that design-build, CM/GC and other alternative project delivery methods are increasingly being used by public sector customers as alternatives to the traditional fixed unit price low bid process. Approximately 89% of RLW's backlog at September 30, 2009 was attributable to design-build and CM/GC projects. Since its founding in 1975, RLW has experienced profitable growth, capitalizing on high-quality execution of projects and strong customer relationships.

For the nine months ended September 30, 2009, RLW generated revenue, income before tax and EBITDA (earnings before interest, taxes, depreciation and amortization) of \$112 million, \$25 million and \$26 million, respectively. We purchased RLW based on an assumed sustainable annual EBITDA in the range of \$15 million to \$20 million. EBITDA is not a financial measure calculated in accordance with generally accepted accounting principles in the U.S. (GAAP). See Summary Historical and Pro Forma Financial and Operating Data for a definition of EBITDA and a reconciliation of RLW's net income, the most directly comparable GAAP financial measure, to RLW's EBITDA for the nine months ended September 30, 2009. As of September 30, 2009, RLW had a backlog of approximately \$198 million. See Selected Historical Financial and Operating Data for information regarding how backlog is calculated.

Among other reasons, we acquired RLW because we believe that it offers us opportunities to:

- expand on RLW's significant experience in design-build, CM/GC and other project delivery methods;
- utilize RLW's significant structural construction expertise;
- expand into an attractive market with good long-term growth dynamics;
- complement our existing market locations and advance our strategy of geographical diversification;
- partner with a strong and innovative management team with a similar corporate culture; and
- benefit from RLW's strong financial results and immediate accretion to our earnings per share.

Our Business Strategy

Key features of our business strategy include:

Continue to Add Construction Capabilities. By adding capabilities that augment our core contracting and 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.

Expand into Attractive New Markets and Selectively Pursue Strategic Acquisitions. We will continue to seek to identify attractive new markets and opportunities in western, southwestern and southeastern U.S. markets. We will also continue to assess opportunities to extend our service capabilities and expand our markets through acquisitions.

Apply Core Competencies Across our Markets. We will seek to capitalize on opportunities to export our Texas experience constructing water infrastructure projects and our Nevada earthmoving, aggregates and asphalt paving experience into Utah markets. Similarly, we believe that RLW's experience with design-build, CM/GC and other alternative project delivery methods in Utah can enhance opportunities for us in our Texas and Nevada markets.

S-2

Table of Contents

Increase our Market Leadership in our Core Markets. We have a strong presence in a number of markets in Texas, Utah and Nevada and intend to expand our presence in these states and other states where we believe contracting opportunities exist.

Position our Business for Future Infrastructure Spending. As evidenced by the federal government's recently enacted economic stimulus legislation, we believe that there is a growing awareness of the need to build, reconstruct and repair our country's infrastructure, including transportation infrastructure, such as bridges, highways and mass transit systems, and water infrastructure, such as water, wastewater and storm drainage systems. We will continue to build our expertise and seek to capture this infrastructure spending.

Continue to Attract, Retain and Develop our Employees. We believe that our employees are key to the successful implementation of our business strategy, and we will continue allocating significant resources in order to attract and retain talented managers and supervisory and field personnel.

Risks Related to Our Business, Our Strategy, Our Common Stock and this Offering

You should carefully read and consider the information set forth below under **Risk Factors** and **Cautionary Comment Regarding Forward-Looking Statements**, together with all of the other information set forth in this prospectus supplement and the accompanying prospectus, before deciding to invest in shares of our common stock.

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 supplement.

Table of Contents

The Offering

Nasdaq Symbol	STRL
Common stock offered by us	2,400,000 shares
Common stock to be outstanding after the offering	15,688,244 shares
Use of proceeds	<p>We will use the net proceeds of approximately \$38.5 million from the offering, after deducting underwriting discounts and fees of approximately \$2.0 million in the aggregate and estimated offering expenses of approximately \$400,000:</p> <p>to repay indebtedness outstanding, if any, under our \$75 million revolving credit facility, which we refer to as our credit facility; and</p> <p>to strengthen our balance sheet, including our working capital and tangible net worth, in order to fund our business, provide liquidity for future growth and increase our bonding capacity.</p>

Each \$1.00 change in the actual per share offering price from the price assumed in this prospectus supplement would change by approximately \$2.3 million the amount of our net proceeds available to strengthen our balance sheet after funding the repayment of indebtedness, if any, referenced above. Each 10% change in the number of shares of common stock sold in this offering would change the net proceeds to us from this offering by approximately \$3.9 million, after deducting estimated underwriting discounts and offering expenses.

The number of shares of common stock outstanding before and after this offering is based on the number of shares outstanding as of December 1, 2009 and excludes:

333,740 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price per share of \$11.263; and

334,046 shares of common stock reserved for issuance upon the exercise of outstanding warrants at an exercise price per share of \$1.50.

Unless we indicate otherwise, the number of shares of common stock shown to be outstanding after the offering, as well as share, per share, holders of record, and financial information in this prospectus:

assumes a public offering price of \$17.07 per share, which is the last reported sales price per share of our common stock on the Nasdaq on December 2, 2009;

assumes no exercise by the underwriters of their option to purchase up to 360,000 additional shares of our common stock to cover over-allotments; and

does not give effect to the use of proceeds of this offering.

Table of Contents**Summary Historical and Pro Forma Financial and Operating Data**

The following table sets forth our summary historical and pro forma financial and operating data for the periods indicated. The summary historical condensed consolidated statement of operations and cash flow data for the years ended December 31, 2006, 2007 and 2008, and the summary historical condensed consolidated balance sheet data as of December 31, 2007 and 2008, have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus supplement. The summary historical condensed consolidated balance sheet data as of December 31, 2006, have been derived from our audited consolidated balance sheet as of December 31, 2006, which is not included in this prospectus supplement. The summary historical condensed consolidated financial data as of and for the nine months ended September 30, 2008 and 2009, are derived from our unaudited condensed consolidated financial statements, which are included elsewhere in this prospectus supplement.

The unaudited condensed 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 financial and operating data as of and for the nine months ended September 30, 2009, are not necessarily indicative of the results that may be obtained for a full year.

The summary pro forma condensed combined statement of operations data for the year ended December 31, 2008 and nine months ended September 30, 2009, gives effect on a pro forma basis to the RLW acquisition as if it had been consummated on January 1, 2008. The summary pro forma condensed combined balance sheet information gives effect on a pro forma basis to the consummation of the RLW acquisition, as if it had been consummated on September 30, 2009.

The information presented below should be read in conjunction with Selected Historical Financial and Operating Data, Unaudited Pro Forma Condensed Combined Financial Information, 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 supplement.

	Historical			Nine Months Ended		Pro Forma	
	Year Ended December 31,			September 30,		Year Ended	Nine Months Ended
	2006	2007	2008	2008	2009	December 31, 2008	September 30, 2009
				(Unaudited)		(Unaudited)	
	(In thousands, except per share data)						
Statement of Operations Data:							
Revenues	\$ 249,348	\$ 306,220	\$ 415,074	\$ 305,802	\$ 319,170	\$ 541,196	\$ 431,427
Cost of revenues	220,801	272,534	373,102	273,389	272,238	473,588	355,916
Gross profit	28,547	33,686	41,972	32,413	46,932	67,608	75,511
General and administrative expenses,	10,549	12,682	13,844	10,131	10,566	18,920	14,626

and other

Operating income	17,998	21,004	28,128	22,282	36,366	48,688	60,885
Interest (expense)							
income, net	1,206	1,392	871	387	252	795	(154)
Income from continuing operations before income taxes and noncontrolling interests	19,204	22,396	28,999	22,669	36,618	49,483	60,731
Income tax expense	6,566	7,890	10,025	7,616	12,154	16,256	19,515
Income from continuing operations	12,638	14,506	18,974	15,053	24,464	33,227	41,216
Income from discontinued operations	682						
Net income	13,320	14,506	18,974	15,053	24,464	33,227	41,216
Net income attributable to noncontrolling interests in subsidiaries		(62)	(908)	(819)	(1,521)	(5,173)	(6,421)
Net income attributable to Sterling common stockholders	\$ 13,320	\$ 14,444	\$ 18,066	\$ 14,234	\$ 22,943	\$ 28,054	\$ 34,795
Basic income per share attributable to Sterling common stockholders:							
Continuing operations	\$ 1.19	\$ 1.31	\$ 1.38	\$ 1.09	\$ 1.73	\$ 2.14	\$ 2.63
Discontinued operations	0.06						
Net income	\$ 1.25	\$ 1.31	\$ 1.38	\$ 1.09	\$ 1.73	\$ 2.14	\$ 2.63
Diluted income per share attributable to Sterling common stockholders:							
Continuing operations	\$ 1.08	\$ 1.22	\$ 1.32	\$ 1.04	\$ 1.67	\$ 2.05	\$ 2.53
Discontinued operations	0.06						
Net income	\$ 1.14	\$ 1.22	\$ 1.32	\$ 1.04	\$ 1.67	\$ 2.05	\$ 2.53

Table of Contents

	Historical			Nine Months Ended		Pro Forma	
	Year Ended December 31,			September 30,		Year Ended	Nine Months Ended
	2006	2007	2008	2008	2009	December 31, 2008	September 30, 2009
				(Unaudited)		(Unaudited)	
	(In thousands, except per share data)						
Weighted average number of shares outstanding used in computing per share amounts:							
Basic	10,583	11,044	13,120	13,102	13,229	13,120	13,229
Diluted	11,714	11,836	13,702	13,703	13,733	13,702	13,733
Balance sheet data (end of period):							
Cash and cash equivalents	\$ 28,466	\$ 80,649	\$ 55,305	\$ 62,094	\$ 62,239		\$ 5,028
Short-term investments	26,169	54	24,379	17,383	41,231		46,041
Working capital	62,874	82,063	95,123	93,561	115,778		62,178
Total assets	167,772	274,515	289,615	296,713	308,871		365,420
Total long-term debt	30,782	65,654	55,556	60,575	40,501		40,501
Total liabilities	76,781	135,903	130,499	142,952	125,803		182,352
Stockholders' equity attributable to Sterling common stockholders	90,991	138,612	159,116	153,761	183,068		183,068
Cash flow data from continuing operations:							
Net cash provided by operating activities	\$ 23,089	\$ 29,542	\$ 26,721	\$ 18,929	\$ 43,032		
Net cash (used in) investing activities	(52,358)	(47,935)	(42,923)	(33,130)	(20,870)		
Net cash provided by (used in) financing activities	35,468	70,576	(9,142)	(4,354)	(15,228)		
Other operating data:							
EBITDA (unaudited)(1)	\$ 25,691	\$ 30,486	\$ 40,388	\$ 31,220	\$ 45,162	\$ 58,075	\$ 66,183
Capital expenditures	24,849	26,319	19,896	16,972	4,392	25,241	8,618
Backlog at end of period(2)	395,000	450,000	448,000	511,000	371,000	542,000	569,000

- (1) EBITDA is defined as income attributable to Sterling common stockholders before net interest income/expense, income tax expense, and depreciation and amortization. EBITDA is a non-GAAP financial measure that we use for our internal budgeting process, which excludes the effects of financing costs, income taxes and non-cash depreciation and amortization. Although EBITDA is a common alternative measure of performance used by investors, financial analysts and rating agencies to assess operating performance for companies in our industry, it is not a substitute for other GAAP financial measures such as net income or operating income as calculated and presented in accordance with GAAP. Furthermore, we believe that the non-GAAP EBITDA financial measure is useful to investors in providing greater transparency to the information used by management in its operational and investment decision making. Our non-GAAP financial measures may be different from such measures used by other companies. We urge you to review the GAAP financial measures included in this prospectus supplement and the accompanying prospectus and our consolidated financial statements, including the notes thereto, and the other financial information contained in this prospectus supplement and the accompanying prospectus and incorporated herein and therein by reference, and not to rely on any single financial measure to evaluate our business.

A reconciliation of income attributable to Sterling common stockholders to EBITDA for each of the historical and pro forma fiscal periods indicated is as follows (in thousands):

	Historical			Pro Forma			
				Year Ended		Nine Months Ended	
	Year Ended December 31,			December 31,		September 30,	
	2006	2007	2008	2008	2009	2008	2009
Net income attributable to Sterling common stockholders	\$ 13,320	\$ 14,444	\$ 18,066	\$ 14,234	\$ 22,943	\$ 28,054	\$ 34,795
Depreciation and amortization	7,011	9,544	13,168	9,757	10,317	14,560	11,719
Interest expense (income), net	(1,206)	(1,392)	(871)	(387)	(252)	(795)	154
Income tax expense	6,566	7,890	10,025	7,616	12,154	16,256	19,515
EBITDA	\$ 25,691	\$ 30,486	\$ 40,388	\$ 31,220	\$ 45,162	\$ 58,075	\$ 66,183

Use of non-GAAP financial measures is subject to inherent limitations because they do not include all the expenses that must be included under GAAP and because they involve the exercise of judgment as to which charges should be excluded from the non-GAAP financial measure. EBITDA has material limitations as a performance measure because it excludes (1) interest expense, which is a necessary element of

Table of Contents

our costs and ability to generate revenues because we borrow money to finance our operations, (2) depreciation, which is a necessary element of our costs and ability to generate revenues because we use capital assets, and (3) income taxes, which we are required to pay. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from EBITDA and by presenting comparable GAAP measures more prominently in our disclosures.

- (2) Historical information does not include RHB backlog prior to December 31, 2007 or RLW backlog. Pro forma backlog does include RLW backlog of approximately \$94 million as of December 31, 2008 and \$198 million as of September 30, 2009. Backlog is our estimate of the revenues that we expect to earn in future periods on our construction projects. We generally add the anticipated revenue value of each new project to our backlog when management reasonably determines that we will be awarded the contract and there are no known impediments to being awarded the contract. We deduct from backlog the revenues earned on each project during the applicable fiscal period. As construction on our projects progresses, we also increase or decrease backlog to take into account our estimates of the effects of changes in estimated quantities, changed conditions, change orders and other variations from initially anticipated contract revenues, including completion penalties and bonuses. At September 30, 2009, our pro forma backlog included approximately \$142 million of expected revenues for which the contracts had not yet been officially awarded or finalized as to price. Historically, subsequent non-awards of contracts or finalization of price have not materially affected our backlog, results of operations or financial condition.

Table of Contents

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 supplement and the accompanying 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 we believe to be the material risks 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, requirements or costs when we bid on or negotiate a contract that is ultimately awarded to us, we may achieve a lower than anticipated profit or incur a loss on the contract.

The majority of our revenues and backlog are derived from fixed unit price contracts. Some of our revenues are derived from lump sum contracts. Fixed unit price contracts require us to perform the contract for a fixed unit price based on approved quantities irrespective of our actual costs. Lump sum contracts require that the total amount of work be performed for a single price irrespective of our actual costs. We realize a profit on our contracts only if we successfully estimate our costs and then successfully control actual costs and avoid cost overruns, and our revenues exceed actual costs. 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. The final results under these types of contracts could negatively affect our cash flow, earnings and financial position.

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

onsite conditions that differ from those assumed in the original bid or contract;

failure to include materials or work in a bid, or the failure to estimate properly the quantities or costs needed to complete a lump sum contract;

delays caused by weather conditions;

contract or project modifications creating unanticipated costs not covered by change orders;

changes in availability, proximity and costs of materials, including steel, concrete, aggregates and other construction materials (such as stone, gravel, sand and oil for asphalt paving), as well as fuel and lubricants for our equipment;

inability to predict the costs of accessing and producing aggregates and purchasing oil required for asphalt paving projects;

availability and skill level of workers in the geographic location of a project;

failure by our suppliers, subcontractors, designers, engineers, joint venture partners or customers to perform their obligations;

fraud, theft or other improper activities by our suppliers, subcontractors, designers, engineers, joint venture partners or customers or our own personnel;

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 for alleged damages arising from the design, construction or use and operation of a project of which our work is part.

S-8

Table of Contents

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

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

Our revenue has grown rapidly in recent years. However, we may be unable to sustain these recent revenue growth rates for a variety of reasons, including decreased government funding for infrastructure projects, limits on additional growth in our current markets, reduced spending by our customers, an increased number of competitors, 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, inability to hire and retain essential personnel and to acquire equipment to support growth, and inability to identify acquisition candidates and successfully acquire and integrate them into our business. Due to some of these factors, we anticipate that our revenues and net income attributable to Sterling common stockholders for 2010, before including the results of operations of RLW, will be below, and could be substantially below, the results that we expect to achieve for 2009. A substantial decline in our revenue could have a material adverse effect on our financial condition and results of operations if we are unable to reduce our operating expenses at the same rate.

Economic downturns or reductions in government funding of infrastructure projects 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 and timing 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. Spending on infrastructure could decline for numerous reasons, including decreased revenues received by state and local governments for spending on such projects, including federal funding. The nationwide decline in home sales, the increase in foreclosures and a prolonged recession have resulted in decreases in property taxes and some other local taxes, which are among the sources of funding for municipal road, bridge and water infrastructure construction. State spending on highway and other projects can be adversely affected by decreases or delays in, or uncertainties regarding, federal highway funding, which could adversely affect us. We are reliant upon contracts with TXDOT, UDOT and NDOT for a significant portion of our revenues.

Recent reductions in miles driven in the U.S. and more fuel efficient vehicles have reduced federal and state gasoline taxes and tolls collected. In addition, the federal government has not renewed the SAFETEA-LU bill, which provided states with substantial funding for transportation infrastructure projects. Because the SAFETEA-LU bill expired on September 30, 2009, the federal government rescinded a portion of the funding previously committed to be provided to the states in 2009, with interim financial assistance being extended on a month-to-month basis, most recently through December 18, 2009, at approximately 70% of the prior year SAFETEA-LU levels. Reductions in federal funding will negatively impact the states' highway and bridge construction expenditures for 2010. We are unable to predict when or on what terms the federal government might renew the SAFETEA-LU bill or enact other similar legislation.

While our business includes only minimal residential and commercial infrastructure work, the severe fall-off in new projects in those markets has resulted in some residential and commercial infrastructure contractors bidding on smaller public sector transportation and water infrastructure projects, sometimes at bid levels below our break-even pricing.

Traditional competitors on larger transportation and water infrastructure projects also appear to have been bidding at less than normal margins in order to replenish their reduced backlogs. These conditions have increased competition and created downward pressure on bid prices in our markets. These and other factors have limited our ability to maintain or increase our backlog through successful bids for new projects and have limited the profitability of new projects that we do obtain through successful bids. These adverse competitive trends may continue or worsen.

S-9

Table of Contents

We operate in Texas, Utah, Nevada and to a small extent in other states, and adverse changes to the economy and business environment in those states have had an adverse effect on, and could continue to adversely affect, our operations, which could lead to lower revenues and reduced profitability.

We operate primarily in Texas, Utah and Nevada. Because of this concentration in specific geographic locations, we are susceptible to fluctuations in our business caused by adverse economic or other conditions in these regions, including natural or other disasters. The stagnant or depressed economy, to varying degrees, in Texas, Utah and Nevada have adversely affected, and could continue to adversely effect, our business and results of operations.

The cancellation of significant contracts or our disqualification from bidding for new contracts could reduce our revenues and profits and have a material adverse effect on our results of operations.

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 cancellation of an unfinished contract or our debarment from the bidding process could cause our equipment and work crews to be 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 acquisition strategy involves a number of risks.

We intend to continue pursuing 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 enhance our ability to bid on larger contracts. However, we may be unable to implement this growth strategy if we cannot reach agreements for 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;

difficulties applying our expertise in one market into another market;

regulatory requirements that impose restrictions on bidding for certain projects because of historical operations by Sterling or the acquired company;

the key personnel, customers and project partners of the acquired company may terminate or diminish 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 and liabilities) as a result of our acquisitions, some of which we may not discover during our due diligence;

we may not adequately anticipate competitive and other market factors applicable to the acquired company;

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

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

Future acquisitions may require us to obtain additional equity or debt financing, as well as additional surety bonding capacity, which may not be available on terms acceptable to us or at all. Moreover, to the extent that any acquisition results in additional goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

Our industry is highly competitive, with a variety of companies competing against 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.

A majority 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. For our design-build, CM/GC and other alternative methods

S-10

Table of Contents

of delivering projects, reputation, marketing efforts, quality of design and minimizing public inconvenience are also significant factors considered in awarding contracts, in addition to cost. 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 we are and that, if they so desire, could establish a presence in our markets and compete with us for contracts.

In some markets where residential and commercial projects have significantly diminished, the bidding environment in our markets has been much more competitive as construction companies that lack available work in those markets have begun bidding on projects in our markets, sometimes at bid levels below our break-even pricing. In addition, traditional competitors on larger transportation and water infrastructure projects also appear to have been bidding at less than normal margins in order to replenish their reduced backlogs. 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.

In addition, if the use of design-build, CM/GC and other alternative project delivery methods continues to increase and we are not able to further develop our capabilities and reputation in connection with these alternative delivery methods, we will be at a competitive disadvantage, which may have a material adverse effect on our financial position, results of operations, cash flows and prospects. If we are unable to compete successfully in our markets, our relative market share and profits could also 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 generally 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, except for trucking arrangements needed for our Nevada operations.

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 or incur other unanticipated costs. 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 most of the materials (including aggregates, cement, asphalt, concrete, steel, pipe, oil and fuel) for our contracts, except in Nevada where we source and produce most of our own aggregates. We do not own or operate any quarries in Texas or Utah. We normally 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, except for some aggregates we use in our Nevada construction projects. 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 or incur other unanticipated costs. 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 plants and equipment on which we rely to perform our construction contracts. In addition, our asphalt plants and suppliers use oil in combination with aggregates to produce asphalt used in our road and highway construction projects. Decreased supplies of such products relative to demand, unavailability of petroleum supplies due to refinery turnarounds, and other factors can

increase the cost of such products. 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.

S-11

Table of Contents

We may not accurately assess the quality, and we may not accurately estimate the quality, quantity, availability and cost, of aggregates we plan to produce, particularly for projects in rural areas of Nevada, which could have a material adverse effect on our results of operations.

Particularly for projects in rural areas of Nevada, we typically estimate the quality, quantity, availability and cost for anticipated aggregate sources that we have not previously used to produce aggregates, which increases the risk that our estimates may be inaccurate. Inaccuracies in our estimates regarding aggregates could result in significantly higher costs to supply aggregates needed for our projects, as well as potential delays and other inefficiencies. As a result, our failure to accurately assess the quality, quantity, availability and cost of aggregates could cause us to incur losses, which could materially adversely affect our results of operations.

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

Backlog is our estimate of the revenues that we expect to earn in future periods on our construction projects. We generally add the anticipated revenue value of each new project to our backlog when management reasonably determines that we will be awarded the contract and there are no known impediments to being awarded the contract. We deduct from backlog the revenues earned on each project during the applicable fiscal period. As construction on our projects progresses, we also increase or decrease backlog to take into account our estimates of the effects of changes in estimated quantities, changed conditions, change orders and other variations from initially anticipated contract revenues, including completion penalties and bonuses. Actual results may differ from the expectations and estimates we rely upon in determining backlog.

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 backlog. Cancellation of one or more contracts that constitute a large percentage of our 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 and skilled labor, or if we encounter labor difficulties, 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, equipment operators 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 hire and retain, or to attract when needed, highly-skilled personnel. If competition for these employees is intense, 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, developing and retaining new highly-skilled employees, our reputation may be harmed and our operations and future earnings may be negatively impacted.

We rely heavily on immigrant labor. We have taken steps that we believe are sufficient and appropriate to ensure compliance with immigration laws. However, we cannot provide assurance that we have identified, or will identify in the future, all illegal immigrants who work for us. Our failure to identify illegal immigrants who work for us may result in fines or other penalties being imposed upon us, which could have a material adverse effect on our operations, results of operations and financial condition.

In Nevada, a substantial number of our equipment operators and laborers are unionized. Any work stoppage or other labor dispute involving our unionized workforce would have a material adverse effect on our operations and operating results in Nevada.

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 often 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

S-12

Table of Contents

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.

The design-build project delivery method subjects us to the risk of design errors and omissions.

In the event of a design error or omission causing damages with respect to one of our design-build projects, we could be liable. Although we pass design responsibility on to the engineering firms that we engage to perform design services on our behalf for these projects, in the event of a design error or omission causing damages, there is risk that the engineering firm, its professional liability insurance, and the errors and omissions insurance that they and we purchase will not fully protect us from costs or liabilities. Any liabilities resulting from an asserted design defect with respect to our construction projects may have a material adverse effect on our financial position, results of operations and cash flows.

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, which could become more frequent or severe if general climatic changes occur. For example, evacuations in Texas due to Hurricanes Rita and Ike resulted in our inability to perform work on all Houston-area contracts for several days. Lengthy periods of wet or cold winter weather will generally interrupt construction, and this can lead to under-utilization of crews and equipment, resulting in less efficient rates of overhead recovery. For example, during the first nine months of 2007, we experienced an above-average number of days and amount of rainfall across our Texas markets, which impeded our ability to work on construction projects and reduced our gross profit. During the late fall to early spring months of the year, our work on construction projects in Nevada and Utah may also be curtailed because of snow and other work-limiting weather. While revenues can be recovered following a period of bad weather, it is generally impossible to recover the cost of inefficiencies, and significant periods of bad weather typically reduce profitability of affected contracts both in the current period and during the future life of affected contracts. Such reductions in contract profitability negatively affect our results of operations in current and future periods until the affected contracts are completed.

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

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, funding 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 our equipment fleet and work crews with contract needs. In some cases, we may maintain and bear the cost of

S-13

Table of Contents

more equipment and ready work crews than are currently required, in anticipation of future 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, snow, storms or flooding; delays in receiving material and equipment from suppliers and services from subcontractors; and changes in the scope of work to be performed. Such delays, if they occur, could have adverse effects on our operating results for current and future periods until the affected contracts are completed.

Our participation in construction joint ventures exposes us to liability and/or harm to our reputation for failures of our partners.

As part of our business, we are a party to joint venture arrangements, pursuant to which we typically jointly bid on and execute particular projects with other companies in the construction industry. Success on these joint projects depends upon managing the risks discussed in the various risks described in these Risk Factors and on whether our joint venture partners satisfy their contractual obligations.

We and our joint venture partners are generally jointly and severally liable for all liabilities and obligations of our joint ventures. If a joint venture partner fails to perform or is financially unable to bear its portion of required capital contributions or other obligations, including liabilities stemming from lawsuits, we could be required to make additional investments, provide additional services or pay more than our proportionate share of a liability to make up for our partner's shortfall. Furthermore, if we are unable to adequately address our partner's performance issues, the customer may terminate the project, which could result in legal liability to us, harm our reputation and reduce our profit on a project.

In connection with acquisitions, including the RLW acquisition, certain counterparties to joint venture arrangements, which may include our historical direct competitors, may not desire to continue such arrangements with us and may terminate the joint venture arrangements or not enter into new arrangements. Any termination of a joint venture arrangement could cause us to reduce our backlog and could materially and adversely affect our business, results of operations and financial condition.

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 2008, approximately 54% of our revenue in Texas was generated from three customers, approximately 95% of our revenue in Nevada was generated from one customer and approximately 75% of RLW's revenue in Utah was generated from one customer. Similarly, our backlog frequently reflects multiple contracts for individual customers; therefore, one customer may comprise a significant percentage of backlog at a certain point in time. An example of this is TXDOT, with which we had 14 contracts in our backlog at December 31, 2008. 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 by customers, 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 lease, acquire and maintain equipment necessary for our operations, and the market value of our owned equipment may decline.

We have traditionally owned most of the construction equipment used to build our projects. 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 performing our contracts.

The equipment that we own or lease 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. In addition, the market value of our equipment may unexpectedly decline at a faster rate than anticipated.

S-14

Table of Contents

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

As is customary in the construction business, we are required to provide surety bonds to our customers 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 backlog and their underwriting standards, which may change from time to time. Events that adversely 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 construction and related services on construction sites, plants and quarries. Operating hazards can cause personal injury and loss of life, damage to or destruction of property, plant and equipment and environmental damage. Except for RLW, which has workers compensation insurance, we self-insure our workers' compensation and health 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 and health 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 or lease. 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. Immigration laws require us to take certain steps intended to confirm the legal status of our immigrant labor force, but we may nonetheless unknowingly employ illegal immigrants. 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 enforcement practices and compliance standards 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 aggregate quarry lease in Nevada could subject us to costs and liabilities. As lessee and operator of the quarry, we could be held responsible for any contamination or regulatory violations resulting from

S-15

Table of Contents

activities or operations at the quarry. Any such costs and liabilities could be significant and could materially and adversely affect our business, operating results and financial condition.

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.

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; impairment of long-term assets; valuation of assets acquired and liabilities assumed in connection with business combinations; accruals for estimated liabilities, including litigation and insurance reserves; and stock-based compensation. Our actual results could differ from, and could require adjustments to, 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 (based on the ratio of costs incurred to total estimated costs of a contract) to the total estimated revenue 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.

Our ability to obtain additional financing in the future will depend in part upon prevailing credit and equity market conditions, as well as conditions in our business and our operating results; such factors may adversely affect our efforts to arrange additional financing on terms satisfactory to us. We have pledged the proceeds and other rights under our construction contracts to our bond surety, and we have pledged substantially all of our other assets as collateral in connection with our credit facility and mortgage debt. As a result, we may have difficulty in obtaining additional financing in the future if such financing requires us to pledge assets as collateral. In addition, under our

credit facility, 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.

S-16

Table of Contents

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

We have a credit facility that restricts us from engaging in certain activities, including restrictions on our ability (subject to certain exceptions) to:

make distributions, pay dividends and buy back shares;

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;

make acquisitions; and

incur losses for two consecutive quarters.

Our credit facility contains financial covenants that require us to maintain specified fixed charge coverage ratios, asset ratios and leverage ratios, and to maintain specified levels of tangible net worth. 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, 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. Acceleration of our credit facility could result in foreclosure on and loss of our operating assets. In the event of such foreclosure, we would be unable to conduct our business and forced to discontinue operations.

If we were required to write down all or part of our goodwill, our net earnings and net worth could be materially and adversely affected.

We had \$57.0 million of goodwill recorded on our consolidated balance sheet at September 30, 2009. Based on a preliminary allocation of the purchase price, we added approximately \$59 million of goodwill to our balance sheet as a result of the RLW acquisition. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. If our market capitalization drops significantly below the amount of net equity recorded on our balance sheet, it might indicate a decline in our fair value and would require us to further evaluate whether our goodwill has been impaired. We perform an annual review of our goodwill and intangible assets to determine if they have become impaired, which would require us to write down the impaired portion of these assets. If we were required to write down all or a significant part of our goodwill, our net earnings and net worth could be materially and adversely affected.

Risks Related to Our Common Stock and This Offering

Market prices of our common stock have changed significantly and could change further.

The market price of our common stock 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, including levels of government funding for infrastructure projects;

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;

S-17

Table of Contents

our issuance of a significant number of shares of our common stock, including 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 for our common stock as reported by the Nasdaq during the first eleven months of 2009 was approximately 143,000 shares. Even if we achieve a wider dissemination by means of the shares offered pursuant to this prospectus supplement and the accompanying prospectus, 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 revenues, operating results and 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 progress achieved and changes in the estimated profitability of those particular contracts being reported. Progress on contracts may also be delayed by unanticipated adverse weather conditions.