

MEADOW VALLEY CORP

Form 10-K/A

April 27, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 1)**

**þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

**Commission file number 0-25428
MEADOW VALLEY CORPORATION
(Exact name of registrant as specified in its charter)**

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0328443
(I.R.S. Employer Identification No.)

4602 E. Thomas Road, Phoenix, AZ
(Address of principal executive offices)

85018
(Zip Code)

Registrant's telephone number, including area code: (602) 437-5400

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

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

Title of each class:

Name of exchange on which registered:

Common stock, \$.001 par value

Nasdaq Capital Market

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No **þ**

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No **þ**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer o; Accelerated filer o; Non-accelerated filer **þ**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No **þ**

On June 30, 2006, the aggregate market value of the registrant's voting and non-voting common equity stock held by non-affiliates was \$46,016,084.

On March 15, 2007, there were 5,125,760 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 to include Items 10, 11, 12, 13 and 14 under Part III of this document, which Items were previously incorporated herein by reference to our definitive proxy statement for our 2007 Annual Meeting of Shareholders. Historically, we have completed, filed and mailed our definitive proxy statements within 120 days of our year end of December 31 to meet the requirement to be incorporated by reference in our Annual Report on Form 10-K. This year we will be completing, filing and mailing our definitive proxy statements after April 30, 2007, which is after 120 days of our year end and therefore are amending this Form 10-K as required by the rules and regulations of the Securities and Exchange Commission.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Information concerning the directors and executive officers of the Company who serve until our 2007 Annual Meeting of Shareholders is set forth below:

Charles E. Cowan, age 60, has been a director of the Company since November 1995. Since 1993, he has been President of Charles Cowan & Associates, Ltd. and has an extensive background in government and heavy construction industry consulting. From 1991 to 1993, he held CEO positions in Arizona's Department of Transportation and Department of Economic Security. He graduated with a Bachelor of Economics Degree from St. Martin's College in Olympia, Washington, and a Master's Degree in Public Administration from the University of Missouri at Kansas City, Missouri.

Charles R. Norton, age 65, has been a director of the Company since March 1999. Since 1963, Mr. Norton has been involved in the highway construction industry as a construction foreman, subcontractor, general manager and vice president. He graduated with a Bachelor of Science degree from Brigham Young University in 1968. From 1968 to 1972, he was General Manager of Quaker Empire Construction in Wilkes-Barre, Pennsylvania. From 1972 to 1992, Mr. Norton was Sales Manager, General Manager and Vice President of Syro Steel Company, headquartered in Girard, Ohio. Since 1992, Mr. Norton has been Vice President of Trinity Industries, which purchased Syro in 1972.

Don A. Patterson, age 53, has been a director of the Company since November 2005. He began his career in public accounting, working for eight years at Arthur Andersen where he developed an extensive background in accounting for the construction and construction material industry. He left to become the managing partner of Mansperger, Patterson & McMullin CPA's where he worked for 19 years, continuing to provide accounting service and consultation to clients in both the construction materials and contracting industries. During that period he founded Legacy Window Coverings, LLC, an importing and distribution business where he currently serves as CEO. He has devoted his full time attention to Legacy's operations since 2004. Mr. Patterson graduated with a degree in accounting from Arizona State University in 1978 and received his Certified Public Accountant's certificate in 1983.

Bradley E. Larson, age 52, has been a director of the Company since 1994 and was appointed President in July 1995 and Chief Executive Officer in November 1995. Mr. Larson was employed by Tanner Companies, a contracting and material company located in Phoenix, Arizona, from 1976 until December 1994. He was Division President of the Western Arizona region for Tanner from 1984 to 1988, Vice President of Operations from 1988 to 1989 and President of Tanner's Construction Division from 1989 until he joined the Company in December 1994. Mr. Larson earned a BSE degree in Industrial Engineering from Arizona State University in 1979. He has been active in several construction industry associations and is past Chairman and Director of The Arizona Rock Products Association and past Director of the Arizona Heavy Highway Chapter of the Associated General Contractors.

Kenneth D. Nelson, age 49, has been a director of the Company since 1993 and has been involved in the financial reporting and operations management areas of the construction industry since 1982. He joined the Company in April 1989, became Vice President of Finance in February 1992 and Vice President and Chief Administrative Officer in April 1996. From August 1986 until April 1989, he was operations manager for Builders

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Unlimited, a construction firm based in Phoenix, Arizona. Mr. Nelson earned a Bachelors of Science Degree in Business Administration from Arizona State University in 1984.

Alan A. Terril, age 66, joined the Company in May 1992, became its Vice President Nevada Operations in October 1993 and its Chief Operating Officer in March 2001. From February 1979 until April 1992, he was general superintendent, responsible for on site construction management, for Ron Lewis Construction Company, a heavy construction firm.

David D. Doty, age 42, joined the Company in August 2005 and was named Secretary, Treasurer, Chief Financial Officer and Principal Accounting Officer in April 2006. He received his Bachelor of Science degree with a major in Accounting from the California State Polytechnic University, Pomona in 1992. He received his Certified Public Accountant s certificate from the State of California in 2003. From 1991 to 1994, he was a supervisor at Brabo, Carlsen & Cahill, CPA s in Palm Springs California. From 1994 to 2000, he was Vice President of Operations and Controller for a hospitality and tourism firm in Rancho Mirage California and from 2000 to 2005 he was first Corporate Controller and then Vice President of Administration, Treasurer and Chief Financial Officer of Star Markets, Ltd. in Honolulu, Hawaii.

CORPORATE GOVERNANCE

Director Independence

We are authorized by our Bylaws to maintain a Board of Directors comprised of a minimum of three directors and no more than nine directors. Our Board currently consists of five directors, three of whom, Messrs. Norton, Patterson and Cowan, are independent as defined under rules promulgated by the Securities and Exchange Commission (SEC) and the Nasdaq Stock Market. In accordance with the independence standards of the Nasdaq Stock Market, a director must be determined to have no personal, professional, familial or other relationship with our company other than as a director. Our directors are elected for three year terms, or until an earlier resignation, death or removal. There are no family relationships among any of our directors or officers.

Board of Directors and Board Committees

The Board of Directors held four regularly scheduled meetings during the last full fiscal year and three special meetings. No director attended less than 75% of the aggregate of such meetings and meetings held by committees of the Board on which he served. We do not have a formal policy regarding attendance by members of the Board of Directors at our annual meeting of shareholders, but strongly encourage directors to attend. All members of our Board of Directors attended the 2006 Annual Meeting of Shareholders.

The standing committees of the Board are as follows: Audit, Nominating and Governance, and Compensation Committee. The Board has adopted a charter for its Audit Committee and its Nominating and Governance Committee, which are available on our website at www.meadowvalley.com by following the link Investor Information. The Compensation Committee is not operating under a written charter. Shareholders may also receive a free copy of the committee charters by sending a written request to 4602 E. Thomas Road, Phoenix, Arizona 85018, Attention: Secretary, or calling (602) 437-5400.

Members of the Company s Audit Committee, Compensation Committee and Nominating and Governance Committee are footnoted below.

| Name | Positions and Offices with the Company |
|-------------------------------|---|
| Charles E. Cowan (1) (2) (3) | Director |
| Charles R. Norton (1) (2) (3) | Director |
| Don A. Patterson (1) (2) (3) | Director |
| Bradley E. Larson | President, Chief Executive Officer and Director |
| Kenneth D. Nelson | Vice President, Chief Administrative Officer and Director |

(1) Member of the Compensation Committee

- (2) Member of the
Audit
Committee
- (3) Member of the
Nominating and
Governance
Committee

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The Audit Committee

Our Audit Committee consists of Messrs. Patterson, Cowan and Norton. Mr. Patterson is our Audit Committee Chairman and has been determined by the Board to be a financial expert as defined by the Securities and Exchange Commission. In the opinion of the Board and as independent is defined under current standards of the Nasdaq Capital Market, these directors are independent of management and free of any relationship that would interfere with their exercise of independent judgment as a member of this committee. The Audit Committee reviews in detail and recommends approval by the Board of our annual and quarterly financial statements, recommends approval of the remuneration of our auditors to the Board, reviews the scope of the audit procedures and the final audit report prepared by our auditors and reviews our overall accounting practices, procedures and internal controls with our auditors.

The Nominating and Governance Committee

The Nominating and Governance Committee is currently comprised of Messrs. Cowan, Norton and Patterson, our independent directors. Mr. Cowan is our Nominating and Governance Committee Chairman. The committee met four times during fiscal 2006. The purpose of the Nominating and Governance Committee is as follows:

identify, consider and nominate candidates for membership on the Board, including any nominees properly received by the Secretary of the Corporation from any shareholder;

develop, recommend and evaluate corporate governance guidelines and a code of business conduct and ethics applicable to the Company;

make recommendations regarding the structure and composition of the Board and Board committees; and

advise the Board on corporate governance matters.

All members of our Nominating and Governance Committee are independent, as defined under applicable law and the listing standards for companies traded on the Nasdaq Capital Market. Nominations of candidates for election as Directors may be made by the Board of Directors upon recommendation by the Nominating and Governance Committee, or by shareholders. Shareholders may nominate candidates for election as directors if they follow the procedures and conform to the deadlines specified in our By-laws. For more information, see the disclosure in our Proxy Statement for our 2007 Annual Meeting of Shareholders under the caption Shareholder Proposals for the 2008 Annual Meeting of Shareholders, which will be filed with the SEC and mailed to our shareholders on approximately May 9, 2007.

In evaluating the suitability of potential nominees for membership on the Board, the Nominating and Governance Committee will consider the Board's current composition, including expertise, diversity, and balance of inside, outside and independent directors, and consider the general qualifications of the potential nominees, such as:

Unquestionable integrity and honesty;

The ability to exercise sound, mature and independent business judgment in the best interests of the shareholders as a whole;

Recognized leadership in business or professional activity;

A background and experience that will complement the talents of the other Board members;

Willingness and capability to take the time to actively participate in Board and Committee meetings and related activities;

Ability to work professionally and effectively with other Board members and the Company's management;

An age to enable the Director to remain on the Board long enough to make an effective contribution; and

Lack of realistic possibilities of conflict of interest or legal prohibition.

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The Committee will also see that all necessary and appropriate inquiries are made into the backgrounds of such candidates. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Nominating and Governance Committee may also consider such other factors as it may deem to be in the best interests of the Company and its shareholders.

The Compensation Committee on Executive Compensation

Our Compensation Committee consists of Messrs. Patterson, Cowan and Norton. Mr. Norton is our Compensation Committee Chairman. The purpose of the Compensation Committee is to determine the compensation to be paid to the Company's executive officers, and to approve any incentive compensation plans. The Compensation Committee will recommend approval to the Board of the compensation of our executive officers, the annual compensation budget for all other employees, bonuses, grants of stock options and any changes to our benefit plans. The committee met four times during fiscal 2006.

Shareholder Communications with Directors

Shareholders may communicate with any and all members of the Company's Board of Directors by transmitting correspondence by mail or facsimile addressed to one or more directors by name or, for a communication to the entire board, to the President at the following address and fax number: Meadow Valley Corporation, 4602 E. Thomas Road, Phoenix, Arizona 85018; main, (602) 437-5400; facsimile, (602) 437-1681.

Communications from our shareholders to one or more directors will be collected and organized by our Corporate Secretary under procedures adopted by our independent directors. The Corporate Secretary will forward all communications to the President or to the identified director(s) as soon as practicable, although communications that are abusive, in bad taste or that present safety or security concerns may be handled differently. If multiple communications are received on a similar topic, the Corporate Secretary may, in his direction, forward only representative correspondence.

The President will determine whether any communication addressed to the entire Board of Directors should be properly addressed by the entire Board of Directors or a committee thereof. If a communication is sent to the Board of Directors or a committee, the Chairman of the Board or the chairman of that committee, as the case may be, will determine whether a response to the communication is warranted. If a response to the communication is warranted, the content and method of the response may be coordinated with our counsel.

Other Corporate Governance Policies

We have adopted a Code of Ethics that applies to all of our directors and senior management. Amendments to and waivers, if any, from our Code of Ethics will be disclosed on our website. Our Code of Ethics is available on our website at www.meadowvalley.com by following the links Investor Information Code of Ethics. Shareholders may also receive a free copy of this document by sending a written request to 4602 E. Thomas Road, Phoenix, Arizona 85018, Attention: Secretary, or calling (602) 437-5400.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who beneficially own more than 10% of our Common Stock to file with the Securities and Exchange Commission initial reports of ownership and reports of change in their ownership of our Common Stock. Securities and Exchange Commission regulations require our directors, executive officers and greater than 10% shareholders to furnish us with copies of these reports. Based solely upon a review of such reports and related information furnished to us, we believe that, during the 2006 fiscal year, each person who served as a director or executive officer of our company or held more than 10% of our Common Stock complied with the Section 16(a) filing requirements.

Table of Contents**Code of Ethics**

Our Board of Directors has adopted a Code of Ethics that applies to our executive officers, senior financial officers and directors of our company. We have posted the Code of Ethics on our website.

In accordance with the *Sarbanes-Oxley Act of 2002* and the listing standards of the Nasdaq Capital Market, we have adopted procedures to facilitate the submission, on a confidential and anonymous basis, of complaints, reports and concerns by any person regarding (1) accounting, internal accounting controls or auditing matters, (2) actual or potential violations of laws, rules or regulations, and (3) other suspected wrongdoing, including in connection with our Code of Ethics.

Item 11. Executive Compensation**DIRECTOR COMPENSATION**

We use a combination of cash and long-term equity incentive awards to compensate members of our board of directors. The following table provides information regarding compensation earned in 2006 by each individual who served as a nonemployee member of our board of directors in 2006.

| Name (1) | Fees Earned or Paid in Cash (2) | Stock Awards | Option Awards (3) | Change in Pension Value and Nonqualified | | | Total |
|-------------------|--|-----------------|----------------------|--|--------------------------------------|---------------------------|------------|
| | | | | Non-Equity Incentive Plan Compensation | Deferred Compensation Earnings | All Other Compensation | |
| Charles E. Cowan | \$ 13,000 | | \$ 48,100 | | | | \$ 61,100 |
| Charles R. Norton | 13,000 | | 48,100 | | | | 61,100 |
| Don A. Patterson | 13,000 | | 48,100 | | | | 61,100 |
| | \$ 39,000 | | \$ 144,300 | | | | \$ 183,300 |

(1) Bradley E. Larson, President and Chief Executive Officer, and Kenneth D. Nelson, Vice President and Chief Administrative Officer, are not included in this table as they are employees of our Company and receive no additional

compensation for their service as directors.

Their compensation is shown in the Summary Compensation Table.

- (2) Directors receive \$7,000 per year for being a member of the Board of Directors and \$2,000 for each committee upon which they serve and are reimbursed for out-of-pocket expenses. The above amounts do not include out-of-pocket expenses. Directors who are employed by the Company are not compensated for their service on the Board.
- (3) Directors are entitled to participate in our equity incentive plan, and each director was issued 10,000 stock options on November 30, 2006, for their service on the Board during 2006. This column represents the

aggregate dollar amount of the awards granted in 2006.

Therefore, the values shown here are not representative of the amounts that may eventually be realized by a director.

Pursuant to the rules of the Securities and Exchange Commission, we have provided a grant date fair value for Stock Awards in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R), Share-based Payments. At December 31, 2006, there were no restricted stock units, deferred stock units or dividend equivalent units accumulated in any director accounts.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Executive Compensation Program

The Compensation Committee of Meadow Valley Corporation's Board is responsible for assisting the Board in defining and overseeing Meadow Valley's general compensation practices. During fiscal 2006, the Compensation Committee engaged FMI Management Consulting to assist it in evaluating executive compensation matters and to revise the executive compensation package for the fiscal year ending 2007.

The persons who served as our Chief Executive Officer and Chief Financial Officer during 2006, as well as other individuals named in our Summary Compensation Table for 2006, are referred to as the named executive officers

through this section of our Form 10-K.

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Executive Summary

As discussed in more detail below, the following actions concerning the compensation of Meadow Valley Corporation's named executive officers were taken for fiscal 2006:

Clint Tryon resigned as Principal Accounting Officer, Secretary and Treasurer and was appointed Chief Financial Officer, Principal Accounting Officer, Secretary and Treasurer of the Company's majority owned subsidiary Ready Mix, Inc.

David D. Doty was appointed Chief Financial Officer, Principal Accounting Officer, Secretary and Treasurer.

Bradley E. Larson, Kenneth D. Nelson, Alan A. Terril and David D. Doty received incentives pursuant to the Company's Annual Non-Equity Incentive Plan (the Incentive Plan).

Clint Tryon received incentives pursuant to Meadow Valley Corporation's Incentive Plan as it related to the portion of 2006 spent as Principal Accounting Officer of the Company and the subsequent subsidiary transition.

Bradley E. Larson, Kenneth D. Nelson, Alan A. Terril, David D. Doty and Clint Tryon, each received 10,000 stock options issued from the Company's equity incentive plan (the Equity Incentive Plan).

Oversight of Executive Compensation Program and Role of Executive Officers in Compensation Decisions

While the Compensation Committee approves all aspects of our executive compensation program, it reports to the full Board of Directors on a regular basis and seeks approval for certain actions. The Committee coordinates with its consultants and management to obtain marketplace and internal data analyses, project reports and program recommendations to assist the Committee in making executive compensation decisions. Our Chief Executive Officer and, in some cases, other executive officers make recommendations to the Committee with respect to various elements of executive compensation.

Compensation Objectives and Philosophy

The Company's primary objectives when determining compensation for its named executive officers are to: set levels of annual salary, non-equity incentives and equity compensation that are competitive and that will attract and retain superior executives, taking into account the difficult industry conditions and competitive environment that the Company faces,

incorporate a performance-based component to executive compensation by linking the incentive compensation to the Company's financial and operational performance, and

provide long-term equity-based compensation, thereby further aligning the interests of the Company's executives with those of its other stockholders.

These objectives are designed to reward each executive's (1) past individual performance and contribution to the Company's corporate performance, (2) level and scope of responsibility and experience, and (3) ability to influence the Company's future growth and profitability.

Elements of Compensation

Our executive compensation has three main parts: a salary paid in cash, an annual non-equity cash incentive plan, in which payment is contingent on the financial performance of the Company, and a long-term equity incentive that the Company provides through the award of options to purchase the Company's common stock. The salary component is intended to reward executives for their current, day-to-day work. The cash incentive bonus is intended to be a reward for the executive's contribution to the financial success of the Company in a given year. Awards of equity are intended to create longer-term incentive for the executive to remain with the Company since the benefit is realized, if the Company is successful, over a multi-year period similar to our shareholders.

Table of Contents**Compensation Components***Annual Salary*

Because an executive's annual salary is meant to reflect his value to the Company on a day-to-day basis, it is a fixed, predetermined element of his compensation. When the Compensation Committee reviews the level of an executive's salary for a possible increase at the end of the term of his employment agreement or annual basis if no employment agreement is in place, that review is based on two main factors: his prior salary and the salary range of executives in comparable companies at a comparable level of responsibility. The Compensation Committee members take an executive's prior salary into account because they believe that it reflects the assessment of prior boards and/or compensation committees of the executive's value to the Company. Compensation levels of comparable companies are obtained from industry trade publications, management consulting firms such as FMI Management Consulting and other public companies similar to our size and industry. In addition, the Compensation Committee provides their knowledge of construction industry compensation levels gained in the course of the work each independent director performs in their daily business activity.

Non-Equity Cash Incentive Plan

The level of compensation that an executive can earn under the Company's cash incentive plan is based on the Company's attainment of financial success when compared to a predetermined amount, which the Board of Directors has approved in advance. Financial performance that exceeds expectations can enable the Company's management team including its CEO, CFO, Vice-Presidents and other management personnel to earn a cash incentive. The amount of the cash incentive earned in a given year, if any, is derived from a formula based principally on the Company's income before tax, by the manager's primary geographic area of responsibility. The amount of income before tax for each year must be approved by the Board of Directors, which has a majority of directors who are not employees of the Company and are independent. The cash incentive bonus plan has a discretionary element. In exercising this discretion, members of the Compensation Committee use their personal judgment of appropriate amounts after taking into account information about the executive's work during the year, his past compensation, his current cash incentive amount, his perceived contribution to the Company generally, his level of responsibility, and any notable individual achievements or failings in the year in question.

The Compensation Committee authorizes the payment of incentive amounts and, if applicable, makes any decisions on discretionary amounts, when the results for the year in question are known, typically in late February of the following year. Bonuses for 2006 were approved in March, 2007. The *Summary Compensation Table for 2006*, below, shows the total 2006 cash incentive amounts of each named executive officer.

Equity Incentive Plan

The award of an option to buy the Company's common stock is a long-term element of compensation since on the date of the award, the exercise price, or purchase price, of the shares subject to the option is the same as the price of those shares on the open market. The recipient of a stock option will only realize its value if the market price of the shares increases over the life of the option, the award gives the executive an incentive to remain with the Company and aligns his interests with those of our shareholders.

The Company calculates the value of a stock option award on the date of its grant under accounting requirements that involve the use of a complex formula consisting of estimates about the Company, its stock price and the likelihood of the option holder forfeiting the stock option. Beginning in fiscal year 2006, recording stock option awards as an expense was required of all companies under Financial Accounting Standard No. 123 (revised 2004), or FAS 123R. The dollar amount shown in the *Summary Compensation Table for 2006*, below, for stock option awards is the value of the options computed under FAS 123R.

In determining the size of a stock option award, the Compensation Committee takes into account both the value of the award to the recipient and the corresponding accounting cost to the Company.

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Other Compensation

The only other forms of compensation of the executive officers are the personal use of company vehicles, disability and term life insurance and other benefits made available to all salaried employees and the perquisites shown in the *Summary Compensation Table for 2006*, below, in the column labeled *All Other Compensation*. A detailed description of the perquisites is shown in footnote 3 to the table. The payment of Messrs. Larson, Terril and Nelson's term life insurance premiums is a benefit that has been provided to them by the Company for many years and was established when the Company determined to carry a key officer life policy on each of the executives in the same amounts as the policy provided each officer. This benefit is also applicable to Mr. Doty, however, no amounts were paid in 2006 for term life insurance on his behalf.

Overall Compensation Levels

As with salary, the Company attempts to provide its executives with a total compensation package that is comparable to their peers in the industry and that the members of the Compensation Committee believe in their personal judgment based on their business experience is fair and appropriate for the executive's level of responsibility and contribution to the Company. The Compensation Committee, which consists of only our independent members of the Board of Directors, makes the final determination of the compensation of the named executive officers. However, the Committee discusses their compensation recommendations for each executive officer with the Chief Executive Officer in advance of making a decision.

Employment Agreements

Messrs. Larson, Doty, Terril and Nelson currently are employed by the Company through employment agreements. In November 2006, the Company entered into three-year employment agreements with Messrs. Larson, Doty and Nelson providing for an annual base salary. These individuals are also eligible to receive incentive amounts based upon performance as determined by our Compensation Committee and approved by our Board of Directors. In the event the Company terminates any of these individuals without cause (as defined in the agreements) or the Company is the subject of a change of control, all options held by the individual will vest and the Company will be required to pay compensation to these individuals for the remaining terms of the agreements.

Compensation of the Chief Executive Officer

Employment Agreement and Compensation Elements

Mr. Larson's 2006 compensation was determined according to the above compensation components per his applicable employment agreement.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussions with management, we have recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee of the Board of Directors:

Charles R. Norton Don A. Patterson Charles E. Cowan

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporates future filings, including this Annual Report on Form 10-K, in whole or in part, the foregoing Compensation Committee Report shall not be incorporated by reference into any such filings.

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The Securities and Exchange Commission recently adopted enhanced executive compensation disclosure requirements for public companies. As a result, the following disclosure regarding the compensation of our executive officers and directors will be somewhat different in content and format from previous years.

COMPENSATION COMMITTEE INTERLOCK AND INSIDER PARTICIPATION

The Compensation Committee currently consists of the following three members of the Board of Directors: Messrs. Cowan, Norton and Patterson. No member of this Committee was at any time during the Company's 2006 fiscal year, or at any other time, an officer or employee of the Company.

No executive officer of the Company has served on the compensation committee of any other entity that has, or has had, one or more executive officers serving as a member of the Company's Board of Directors.

Three of our independent Directors, Messrs. Cowan, Norton and Patterson, are also members of the Board of Directors of Ready Mix, Inc.

Summary Compensation Table for 2006

The following table provides information regarding the total compensation earned in 2006 by the named executive officers, which include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Administrative Officer, who are the only other executive officers whose compensation for 2006 exceeded \$100,000. The named executive officers who also serve on the board of directors are not compensated for their services rendered to the Board of Directors. The Company pays compensation to these executive officers according to the terms of their employment agreements or as determined by the Compensation Committee when no employment agreement is in place. The amounts include any compensation that was deferred by the executive through contributions to his defined contribution plan account under Section 401(k) of the Internal Revenue Code. All amounts are rounded to the nearest dollar.

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards(1) (\$) | Non-Equity Incentive Plan Compensation(2) (\$) | Change in Pension Value and Non-qualified Deferred Compensation | All Other Compensation(3) (\$) | Total Earnings (\$) |
|--|------|----------------|---------------|-------------------------|-----------------------------|--|--|--------------------------------------|---------------------------|
| | | | | | | | | | |
| Bradley E. Larson, President and Chief Executive Officer (Principal Executive Officer) | 2006 | 250,000 | | | 48,100 | 363,785 | | 15,889 | 677,774 |
| David D. Doty, Chief Financial Officer (Principal Financial Officer) Secretary, Treasurer | 2006 | 140,000 | | | 48,100 | 216,664 | | 7,500 | 412,264 |

| | | | | | | |
|---|------|---------|--------|---------|--------|---------|
| Clint Tryon, Former Principal Accounting Officer, Secretary and Treasurer | 2006 | | 48,100 | 88,200 | | 136,300 |
| Alan A. Terril, Vice-President and Chief Operating Officer | 2006 | 150,000 | 48,100 | 230,400 | 10,935 | 439,435 |
| Kenneth D. Nelson, Vice-President and Chief Administrative Officer | 2006 | 140,000 | 48,100 | 216,664 | 14,875 | 419,639 |

(1) This column represents the aggregate dollar amount of the awards granted in 2006. Therefore, the values shown here are not representative of the amounts that may eventually be realized by an executive. Pursuant to the rules of the Securities and Exchange Commission, we have provided a grant date fair value for option awards in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R), Share-based

Payments. For option awards, the fair value is estimated as of the date of grant using the Black-Scholes option pricing model, which requires the use of certain assumptions, including the risk-free interest rate, dividend yield, volatility and expected term. The risk-free interest rate is based on the yield at the date of grant of a U.S. Treasury security with a maturity period equal to or approximating the option's expected term. The dividend yield assumption is based on our historical dividend payouts, which is zero. The volatility assumption is based on the historical volatility of our common stock over a period equal to the option's expected term or trading stock's trading history whichever is shorter. The

expected term
of options
granted is based
on expectations
about future
exercises and
represents the
period of time
that options
granted are
expected to be
outstanding.

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- (2) The non-equity incentive plan payments were made on March 9, 2007. See discussion of non-equity incentive plans under the heading Compensation Discussion and Analysis above. None of the named executive officers elected to defer their 2006 non-equity incentive plan payment.
- (3) Includes company-paid disability and life insurance premiums, and defined contribution plan payments for the fiscal year ended 2006, as set forth in the following table:

| Name | Company Paid Disability Insurance | Company Paid Life Insurance | Defined Contribution Plan | Total |
|-------------------|-----------------------------------|-----------------------------|---------------------------|----------|
| Bradley E. Larson | \$ 7,744 | \$ 645 | \$7,500 | \$15,889 |
| David D. Doty | \$ | \$ | \$7,500 | \$ 7,500 |
| Clint Tryon | \$ | \$ | \$ | \$ |
| Alan A. Terril | \$ 1,905 | \$ 1,530 | \$7,500 | \$10,935 |
| Kenneth D. Nelson | \$ 6,620 | \$ 755 | \$7,500 | \$14,875 |

Grants of Plan-Based Awards in 2006

The following table provides information regarding cash incentive awards and options granted under our equity incentive plan to the named executive officers in 2006.

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Awards: Number of Stock Awards: Number of Shares of Stock or Units | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) |
|-------------------|------------|---|----------------|-----------------|---|-------------|--------------|--|--|---|
| | | Threshold (\$) | Target (\$)(1) | Maximum (\$)(2) | Threshold (\$) | Target (\$) | Maximum (\$) | | | |
| Bradley E. Larson | 11/30/2006 | \$37,500 | \$363,785 | N/A | | | | 10,000 | \$ 10.11 | |
| David D. Doty | 11/30/2006 | \$21,000 | \$216,664 | N/A | | | | 10,000 | \$ 10.11 | |
| Clint Tryon | 11/30/2006 | \$ | \$ 88,200 | N/A | | | | 10,000 | \$ 10.11 | |
| Alan A. Terril | 11/30/2006 | \$22,500 | \$230,400 | N/A | | | | 10,000 | \$ 10.11 | |
| Kenneth D. Nelson | 11/30/2006 | \$21,000 | \$216,664 | N/A | | | | 10,000 | \$ 10.11 | |

(1) The non-equity incentive plan payments were made on March 9, 2007 and related to the achievement of specified financial performance objectives, as discussed under the heading Compensation Discussion and Analysis above.

(2) No individual maximum is applicable since the payments were made under the Non-Equity

Incentive Plan,
which has no
individual cap.

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The following table provides information regarding all outstanding equity awards held by the named executive officers as of December 31, 2006. The Company did not issue any stock awards during fiscal 2006.

| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Awards (1) Equity Incentive Plan Awards: | | Expiration Date |
|--|---|---|--|-------------------------------|-----------------|
| | | | Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price (\$)(2) | |
| Bradley E. Larson, President and Chief Executive Officer (Principal Executive Officer) | 7,000 | | | 5.8750 | 04/16/2008 |
| | 7,000 | | | 3.8750 | 10/21/2009 |
| | 33,334 | | | 1.4600 | 11/19/2013 |
| | | | 10,000 | 10.1100 | 11/30/2011 |
| David D. Doty, Chief Financial Officer (Principal Financial Officer) Secretary, Treasurer | 2,500 | | 5,000 | 9.3800 | 11/01/2010 |
| | | | 10,000 | 10.1100 | 11/30/2011 |
| Clint Tryon, Former Principal Accounting Officer Secretary and Treasurer | | | 10,000 | 10.1100 | 11/30/2011 |
| Alan A. Terril, Vice-President and Chief Operating Officer | | | 10,000 | 10.1100 | 11/30/2011 |
| Kenneth D. Nelson, Vice-President and Chief Administrative Officer | 5,800 | | | 5.8750 | 04/16/2008 |
| | 5,800 | | | 3.8750 | 10/21/2009 |
| | 20,000 | | | 2.4375 | 03/08/2011 |
| | 32,500 | | | 1.4600 | 11/19/2013 |
| | | | 10,000 | 10.1100 | 11/30/2011 |

(1) Outstanding options vest in one-third