

MEADOW VALLEY CORP

Form 10-Q

August 14, 2008

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended June 30, 2008

OR

**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, Arizona 85018
(602) 437-5400**

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 No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Number of shares outstanding of the registrant's common stock as of August 4, 2008:

5,178,654 shares of Common Stock, \$.001 par value per share

MEADOW VALLEY CORPORATION
INDEX
REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2008

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets As of June 30, 2008 (Unaudited) and December 31, 2007 2

Condensed Consolidated Statements of Operations (Unaudited) Six months and three months ended June 30, 2008 and 2007 3

Condensed Consolidated Statements of Changes in Stockholders Equity (Unaudited) Six months ended June 30, 2008 4

Condensed Consolidated Statements of Cash Flows (Unaudited) Six months ended June 30, 2008 and 2007 5

Notes to Condensed Consolidated Financial Statements 7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 20

Item 3. Quantitative and Qualitative Disclosures About Market Risk 29

Item 4T. Controls and Procedures 29

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 30

Item 1A. Risk Factors 30

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 32

Item 3. Defaults Upon Senior Securities 32

Item 4. Submission of Matters to a Vote of Security Holders 32

Item 5. Other Information 32

Item 6. Exhibits 32

EX-31.1

EX-31.2

EX-32

Table of Contents**PART 1 FINANCIAL INFORMATION****Item 1. Financial Statements****MEADOW VALLEY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

| | June 30, 2008 (Unaudited) | December 31, 2007 |
|--|---------------------------------|----------------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 38,271,058 | \$ 28,146,028 |
| Restricted cash | 377,588 | 327,886 |
| Accounts receivable, net | 35,236,248 | 28,565,983 |
| Prepaid expenses and other | 1,775,008 | 2,973,664 |
| Inventory, net | 1,626,225 | 1,232,478 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 297,365 | 567,013 |
| Note receivable | 84,365 | 110,824 |
| Deferred tax asset | 648,219 | 580,103 |
| | | |
| Total current assets | 78,316,076 | 62,503,979 |
| Property and equipment, net | 35,200,125 | 36,173,373 |
| Refundable deposits | 154,736 | 186,508 |
| Note receivable, less current portion | 396,134 | 424,536 |
| Claims receivable | 2,463,880 | 2,463,880 |
| | | |
| Total assets | \$ 116,530,951 | \$ 101,752,276 |
| | | |
| Liabilities and Stockholders Equity: | | |
| Current liabilities: | | |
| Accounts payable | \$ 23,052,510 | \$ 15,288,168 |
| Accrued liabilities | 4,729,017 | 6,907,633 |
| Notes payable | 5,029,394 | 4,216,498 |
| Obligations under capital leases | 57,733 | 102,100 |
| Income tax payable | 117,412 | 1,770,786 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 20,068,160 | 11,248,107 |
| | | |
| Total current liabilities | 53,054,226 | 39,533,292 |
| Notes payable, less current portion | 11,062,480 | 12,269,017 |
| Deferred tax liability | 2,610,836 | 2,610,836 |
| | | |
| Total liabilities | 66,727,542 | 54,413,145 |
| | | |
| Commitments and contingencies | | |
| Minority interest in consolidated subsidiary | 12,471,084 | 12,812,403 |
| | | |
| Stockholders equity: | | |
| Preferred stock \$.001 par value; 1,000,000 shares authorized, none issued and outstanding | 5,179 | 5,148 |

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| | | |
|---|----------------|----------------|
| Common stock \$.001 par value; 15,000,000 shares authorized, 5,178,654 and 5,148,404 issued and outstanding | | |
| Additional paid-in capital | 20,756,290 | 20,322,115 |
| Capital adjustments | (799,147) | (799,147) |
| Retained earnings | 17,370,003 | 14,998,612 |
| Total stockholders equity | 37,332,325 | 34,526,728 |
| Total liabilities and stockholders equity | \$ 116,530,951 | \$ 101,752,276 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

2

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Six months ended | | Three months ended | |
|---|-------------------------|---------------|---------------------------|---------------|
| | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Revenue: | | | | |
| Construction services | \$ 84,140,914 | \$ 59,061,711 | \$ 50,508,185 | \$ 36,338,017 |
| Construction materials | 32,595,666 | 41,814,357 | 16,905,255 | 22,103,800 |
| Construction materials testing | 645,381 | 423,608 | 313,431 | 209,185 |
| | | | | |
| Total revenue | 117,381,961 | 101,299,676 | 67,726,871 | 58,651,002 |
| | | | | |
| Cost of revenue: | | | | |
| Construction services | 76,260,633 | 54,665,443 | 46,003,051 | 33,852,768 |
| Construction materials | 32,314,843 | 37,355,924 | 16,621,747 | 19,746,381 |
| Construction materials testing | 458,363 | 527,039 | 233,494 | 253,552 |
| | | | | |
| Total cost of revenue | 109,033,839 | 92,548,406 | 62,858,292 | 53,852,701 |
| | | | | |
| Gross profit | 8,348,122 | 8,751,270 | 4,868,579 | 4,798,301 |
| | | | | |
| General and administrative expenses | 5,465,095 | 6,222,499 | 2,964,886 | 3,205,523 |
| | | | | |
| Income from operations | 2,883,027 | 2,528,771 | 1,903,693 | 1,592,778 |
| | | | | |
| Other income (expense): | | | | |
| Interest income | 436,132 | 768,163 | 171,249 | 398,880 |
| Interest expense | (67,504) | (146,265) | (32,808) | (68,001) |
| Other income (expense) | (77,980) | 165,850 | (11,009) | 64,145 |
| | | | | |
| | 290,648 | 787,748 | 127,432 | 395,024 |
| | | | | |
| Income before income taxes and minority interest in consolidated subsidiary | 3,173,675 | 3,316,519 | 2,031,125 | 1,987,802 |
| | | | | |
| Income tax expense | (1,143,603) | (1,229,677) | (732,339) | (757,884) |
| | | | | |
| Income before minority interest in consolidated subsidiary | 2,030,072 | 2,086,842 | 1,298,786 | 1,229,918 |

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| | | | | |
|--|--------------|--------------|--------------|------------|
| Minority interest in consolidated subsidiary | 341,319 | (700,476) | 142,545 | (373,445) |
| Net income | \$ 2,371,391 | \$ 1,386,366 | \$ 1,441,331 | \$ 856,473 |
| Basic net income per common share | \$ 0.46 | \$ 0.27 | \$ 0.28 | \$ 0.17 |
| Diluted net income per common share | \$ 0.45 | \$ 0.26 | \$ 0.27 | \$ 0.16 |
| Basic weighted average common shares outstanding | 5,163,289 | 5,124,545 | 5,177,212 | 5,128,793 |
| Diluted weighted average common shares outstanding | 5,308,427 | 5,305,079 | 5,316,016 | 5,314,305 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the six months ended June 30, 2008
(Unaudited)

| | Common Stock | | Additional Paid-in Capital | Capital Adjustment | Retained Earnings |
|--|------------------------------------|----------|----------------------------------|-----------------------|----------------------|
| | Number of Shares Outstanding | Amount | | | |
| Balance at January 1, 2008 | 5,148,404 | \$ 5,148 | \$ 20,322,115 | \$ (799,147) | \$ 14,998,612 |
| Common stock issued on exercise of options | 30,250 | 31 | 170,523 | | |
| Stock-based compensation | | | 263,652 | | |
| Net income for the six months ended June 30, 2008 | | | | | 2,371,391 |
| Balance at June 30, 2008 | 5,178,654 | \$ 5,179 | \$ 20,756,290 | \$ (799,147) | \$ 17,370,003 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six months ended | |
|---|-------------------------|---------------|
| | June 30, | |
| | 2008 | 2007 |
| Increase (decrease) in cash and cash equivalents: | | |
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 119,872,377 | \$ 99,814,922 |
| Cash paid to suppliers and employees | (104,133,941) | (89,610,237) |
| Income taxes paid | (2,865,093) | (1,555,074) |
| Interest received | 436,132 | 768,163 |
| Interest paid | (67,504) | (146,265) |
| Net cash provided by operating activities | 13,241,971 | 9,271,509 |
| Cash flows from investing activities: | | |
| (Increase) decrease in restricted cash | (49,702) | 605,243 |
| Proceeds from sale of property and equipment | 265,928 | 238,236 |
| Purchase of property and equipment | (1,269,150) | (2,323,612) |
| Proceeds from note receivable | 54,861 | 52,719 |
| Purchase of minority interest common stock | | (6,790,838) |
| Net cash used in investing activities | (998,063) | (8,218,252) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 170,554 | 62,493 |
| Proceeds from notes payable | 590,676 | 2,699,929 |
| Repayment of notes payable | (2,835,741) | (5,304,012) |
| Repayment of capital lease obligations | (44,367) | (278,805) |
| Excess tax benefits from share-based payment arrangements | | 82,689 |
| Net cash used in financing activities | (2,118,878) | (2,737,706) |
| Net increase (decrease) in cash and cash equivalents | 10,125,030 | (1,684,449) |
| Cash and cash equivalents at beginning of period | 28,146,028 | 29,354,582 |
| Cash and cash equivalents at end of period | \$ 38,271,058 | \$ 27,670,133 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

| | Six months ended | |
|---|-------------------------|--------------|
| | June 30, | |
| | 2008 | 2007 |
| Increase (decrease) in cash and cash equivalents (Continued): | | |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Net income | \$ 2,371,391 | \$ 1,386,366 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,718,038 | 3,421,035 |
| (Gain) Loss on sale of property and equipment | 109,856 | (61,681) |
| Stock-based compensation expense | 263,652 | 208,404 |
| Deferred taxes, net | (68,116) | (19,275) |
| Allowance for doubtful accounts | (39,104) | 145,798 |
| Inventory allowance | | (64) |
| Minority interest in consolidated subsidiary | (341,319) | 700,476 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6,631,161) | (7,807,009) |
| Prepaid expenses and other | 1,198,656 | 1,178,618 |
| Inventory | (393,747) | 115,543 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 269,648 | 792,845 |
| Refundable deposits | 31,772 | 608,826 |
| Accounts payable | 7,764,342 | 5,687,118 |
| Accrued liabilities | (2,178,616) | (2,204,610) |
| Income taxes payable | (1,653,374) | (306,122) |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 8,820,053 | 5,425,241 |
| | | |
| Net cash provided by operating activities | \$ 13,241,971 | \$ 9,271,509 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

**MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies and Use of Estimates:

Presentation of Interim Information:

The condensed consolidated financial statements included herein have been prepared by Meadow Valley Corporation (we, us, our or the Company) without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC) and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, as permitted by the SEC, although we believe the disclosures, which are made are adequate to make the information presented not misleading. Further, the condensed consolidated financial statements reflect, in the opinion of management, all normal recurring adjustments necessary to present fairly our financial position at June 30, 2008 and the results of our operations and cash flows for the periods presented. The December 31, 2007 condensed consolidated balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Seasonal Variations:

Interim results are subject to significant seasonal variations and the results of operations for the six months and three months ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year.

Nature of Corporation:

Meadow Valley Corporation was organized under the laws of the State of Nevada on September 15, 1994. The principal business purpose of the Company is to operate as the holding company of Meadow Valley Contractors, Inc. (MVCI) (construction services segment), Ready Mix, Inc. (RMI) (construction materials segment) and Apex Testing Corp. (Apex) (construction materials testing segment). MVCI is a general contractor, primarily engaged in the construction of structural concrete highway bridges and overpasses, and the paving of highways and airport runways for various governmental authorities, municipalities and developers in southern Nevada and Arizona. RMI manufactures and distributes ready-mix concrete in the Las Vegas, Nevada and Phoenix, Arizona metropolitan areas. In 2007, the Company purchased 620,212 shares of RMI s common stock, bringing the total number of shares of RMI s common stock owned by the Company to 2,645,212 shares or approximately 69% of RMI s 3,809,500 total shares outstanding. Apex is a construction materials testing provider in the Las Vegas, Nevada area.

Liquidity:

The Company had income from operations for the six months ended June 30, 2008 and 2007 of \$2,883,027 and \$2,528,771, respectively, and provided cash from operating activities of \$13,241,971 and \$9,271,509, respectively, for the same periods.

Revenue and Cost Recognition:

Revenues and costs from fixed-price and modified fixed-price construction contracts are recognized for each contract on the percentage-of-completion method, measured by the percentage of costs incurred to date to the estimated total direct costs. Direct costs include, among other things, direct labor, field labor, equipment rent, subcontracting, direct materials and direct overhead. General and administrative expenses are accounted for as period costs and are, therefore, not included in the calculation of the estimates to complete construction contracts in progress. Project losses are provided for in their entirety in the period in which such losses are determined, without reference to the percentage-of-completion. As contracts can extend over one or more accounting periods, revisions in costs and earnings estimated during the course of the work are reflected during the accounting period in which the facts that required such revision become known.

We recognize revenue in our construction materials segment on the sale of our concrete and aggregate products at the time of delivery. We recognize revenue in our construction materials testing segment on the sale of our professional services at the time services are provided.

Table of Contents

**MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies and Use of Estimates (Continued):

Claims Receivable:

Claims for additional contract revenue are recognized only to the extent that contract costs relating to the claim have been incurred and evidence provides a legal basis for the claim. As of June 30, 2008, the total amount of contract claims filed by the Company with various public entities was \$19,084,311. Of this amount, the Company's portion of the claims total was \$15,088,871 and the balance of \$3,995,440 pertains to other contractors' claims.

Total claim amounts reported by the Company in its filings are approximate and are subject to revision as final documentation, resolution of issues, settlements progress and/or payments are received. Relative to the aforementioned claims, the Company has recorded \$2,463,880 in cumulative claims receivable as of June 30, 2008 to offset a portion of costs incurred-to-date on the claims. All claims receivable amounts as of June 30, 2008 are classified as long-term.

The Company has not accrued a liability related to the prime contractor or subcontractors' claims as no liability would be deemed payable if their portion of the claims did not receive a favorable outcome. Correspondingly, no receivable has been recorded for overhead and profit included in their portion of the claims on the Company's behalf.

Although the Company believes that the claims receivable amounts represent a reasonably conservative posture, any claims proceeds ultimately paid to the Company less than the aggregate amount recorded on the balance sheet of \$2,463,880, will decrease earnings. Conversely, a payment for those same items in excess of \$2,463,880 will result in increased income.

A common and customary practice in construction contracts is the owner's withholding of a portion of the contract in the form of retention. Retention practices vary from contract to contract, but in general, retention (usually somewhere between 5% to 10% of the contract) is withheld from each progress payment by the owner and then paid upon satisfactory completion of the contract. Contract proceeds comprising retention are included in the Company's balance sheet in accounts receivable. The portion of accounts receivable pertaining to retention withheld on the contracts for which claims have been filed totals \$879,763 as of June 30, 2008. The degree to which the Company is successful in prosecuting any claims may also impact the amount of retention paid by the owner.

The Company believes that all retention amounts currently being held by the owners on the contracts with outstanding claims will be paid in full in accordance with the contract terms. Therefore, no allowance has been made to reduce the receivables due from the retention on the disputed contracts.

Earnings per Share:

Statement of Financial Accounting Standards No. 128, Earnings per Share, (SFAS 128) provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity.

Stock-Based Compensation:

Both the Company and RMI have stock-based compensation plans. The Company accounts for stock-based compensation utilizing the fair value recognition provisions of SFAS 123R. The Company recognizes expected tax benefits related to employee stock-based compensation as awards are granted and the incremental tax benefit or liability when related awards are deductible. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is typically three years.

Table of Contents

**MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies and Use of Estimates (Continued):

Stock-Based Compensation (Continued):

The Company and RMI estimate fair value using the Black-Scholes valuation model. Assumptions used to estimate compensation expense are determined as follows:

Expected term is generally determined using an average of the contractual term and vesting period of the award;

Expected volatility is measured using the average of historical daily changes in the market price of the Company's common stock over the expected term of the award;

Risk-free interest rate is equivalent to the implied yield on zero-coupon U.S. Treasury bonds with a remaining maturity equal to the expected term of the awards; and

Forfeitures are based on the history of cancellations of awards granted by both companies and management's analysis of potential forfeitures.

Recent Accounting Pronouncements:

With the exception of those discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the six months ended June 30, 2008, that are of significance, or potential significance, to the Company.

In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires companies with derivative instruments to disclose information that should enable financial-statement readers to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact, if any, that SFAS 161 will have on its financial statements.

In April 2008, the FASB issued FSP 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP 142-3 on its financial position and results of operations.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The implementation of this standard will not have a material impact on the Company's financial position and results of operations.

2. Stock-Based Compensation:

The Company and RMI both have individual stock-based compensation plans. Meadow Valley Corporation's accompanying condensed consolidated financial statements and these related notes to financial statements have been presented on a consolidated basis and therefore include RMI's stock-based compensation information. The information below is presented to show disclosures related to both the Company's and RMI's individual stock-based compensation plans. Under the sub-heading *Meadow Valley Corporation* of this note, information is only for the Company's plan, with the exception of information presented that is directly related to the consolidation of the accompanying financial statements and this information is indicated as *consolidated*. Under the sub-heading *Ready Mix, Inc.* of this note, information is only for RMI's plan.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Stock-Based Compensation (Continued):***Meadow Valley Corporation:***

The Company accounts for stock-based compensation utilizing the fair value recognition provisions of SFAS 123R. The Company recognizes expected tax benefits related to employee stock-based compensation as awards are granted and the incremental tax benefit or liability when related awards are deductible.

As of June 30, 2008, the Company has the following stock-based compensation plan:

Equity Incentive Plan

In 2004, the Company adopted the 2004 Equity Incentive Plan (the 2004 Plan). The 2004 Plan permits the granting of any or all of the following types of awards: (1) incentive and nonqualified stock options, (2) stock appreciation rights, (3) stock awards, restricted stock and stock units, and (4) other stock or cash-based awards. In connection with any award or any deferred award, payments may also be made representing dividends or their equivalent.

The 2004 Plan authorizes the issuance of up to 1,200,000 shares of the Company's common stock, all of which were previously reserved for issuance under the Company's prior plan. Shares of common stock covered by an award granted under the 2004 Plan will not be counted as used unless and until they are actually issued and delivered to a participant. As of June 30, 2008, 141,217 shares were available for future grant under the 2004 Plan. The stock options granted under the 2004 Plan have terms from five to ten years and generally may be exercised after issuance as follows: 33.3% after one year of continuous service, 66.6% after two years of continuous service and 100% after three years of continuous service. The exercise price of each option is no less than the market price of the Company's common stock on the date of the grant. The Company's board of directors has full discretion to modify these terms.

The Company uses the Black-Scholes option pricing model to estimate fair value of stock-based awards with the following assumptions for prior awards of options:

| | Awards granted during the six months ended June 30, 2008 | Awards Prior to January 1, 2008 |
|--|--|------------------------------------|
| Dividend yield | 0% | 0% |
| Expected volatility | 53.30% | 23.94% - 82.23% |
| Weighted-average expected volatility | 53.30% | 50.12% |
| Risk-free interest rate | 5.00% | 5.00% |
| Expected life of options (in years) | 4 | 3-5 |
| Weighted-average grant-date fair value | \$ 5.81 | \$ 1.40 |

During the six months ended June 30, 2008, options to purchase an aggregate of 15,000 shares of the Company's stock were granted to the Company's three outside directors. The options granted to the three outside directors were granted on January 2, 2008, were fully vested upon grant, are exercisable at \$12.50 per share, and expire five years after the date of grant.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Stock-Based Compensation (Continued):

The following table summarizes the Company's stock option activity during the first six months of fiscal 2008:

| | Shares | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Term (1) | Aggregate Fair Value | Aggregate Intrinsic Value (2) |
|-----------------------------|----------|--|---|----------------------------|-------------------------------------|
| Outstanding January 1, 2008 | 320,011 | 5.35 | 3.87 | \$ 771,784 | \$ 2,379,777 |
| Granted | 15,000 | 12.50 | | 87,150 | |
| Exercised | (30,250) | 5.64 | | (42,564) | 129,916 |
| Forfeited or expired | (6,068) | 5.39 | | (8,324) | |
| Outstanding June 30, 2008 | 298,693 | 5.68 | 3.83 | \$ 808,046 | \$ 1,212,928 |
| Exercisable June 30, 2008 | 237,023 | 4.54 | 3.96 | \$ 509,563 | \$ 1,212,928 |

(1) Remaining contractual term is presented in years.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing price of the Company's common stock as of June 30, 2008, for those awards that have an exercise price currently below the closing price as of June 30, 2008. Awards with an exercise price above the closing price as of June 30, 2008 are considered to have

no intrinsic value.

A summary of the status of the Company's nonvested options to purchase the Company's common stock as of June 30, 2008 and changes during the six months ended June 30, 2008 is presented below:

| | Shares | Weighted Average Grant-Date Fair Value |
|--|----------|---|
| Nonvested stock options at January 1, 2008 | 61,667 | \$ 4.84 |
| Granted | 15,000 | 5.81 |
| Vested | (15,000) | 5.81 |
| Forfeited | | |
| Nonvested stock options at June 30, 2008 | 61,667 | \$ 4.84 |

During the six months ended June 30, 2008 and 2007, the Company recognized consolidated compensation expense of \$263,652 and \$208,404, respectively, of which \$111,285 and \$135,441, respectively, was related to RMI's stock-based compensation plan, and the Company recognized a tax benefit of \$0 and \$10,907, respectively, related thereto. As of June 30, 2008, there was \$185,857 of total unrecognized compensation cost, net of \$15,716 attributable to estimated forfeitures, related to nonvested stock options granted under the 2004 Plan. That cost is expected to be recognized over the weighted average period of 1.36 years. During the six months ended June 30, 2008, options to purchase 6,068 shares of the Company's common stock expired unexercised with a grant date fair value per share of \$5.39 and an aggregate grant date fair value of \$8,324.

During the six months ended June 30, 2008 and 2007, 30,250 and 31,081 options to purchase common stock, respectively, were exercised with aggregate intrinsic values of \$129,916 and \$289,770, respectively. Also during the six months ended June 30, 2008 and 2007, the Company received proceeds of \$170,554 and \$62,493, respectively, as a result of the exercise of options to purchase the Company's common stock.

Ready Mix, Inc.:

RMI accounts for stock-based compensation utilizing the fair value recognition provisions of SFAS 123R. RMI recognizes expected tax benefits related to employee stock-based compensation as awards are granted and the incremental tax benefit or liability when related awards are deductible.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Stock-Based Compensation (Continued):

As of June 30, 2008, RMI has the following stock-based compensation plan:

Equity Incentive Plan

In 2005, RMI adopted the 2005 Equity Incentive Plan (the RMI 2005 Plan). The RMI 2005 Plan permits the granting of any or all of the following types of awards: (1) incentive and nonqualified stock options, (2) stock appreciation rights, (3) stock awards, restricted stock and stock units, and (4) other stock or cash-based awards. In connection with any award or any deferred award, payments may also be made representing dividends or their equivalent.

As of June 30, 2008, RMI had reserved 673,000 shares of its common stock for issuance under the RMI 2005 Plan. Shares of common stock covered by an award granted under the RMI 2005 Plan will not be counted as used unless and until they are actually issued and delivered to a participant. As of June 30, 2008, 293,875 shares were available for future grant under the RMI 2005 Plan. The term of the stock options granted under the RMI 2005 Plan is five years and typically may be exercised after issuance as follows: 33.3% after one year of continuous service, 66.6% after two years of continuous service and 100% after three years of continuous service. The exercise price of each option is equal to the closing market price of RMI's common stock on the date of grant. RMI's board of directors has full discretion to modify these terms on a grant by grant basis.

RMI uses the Black-Scholes option pricing model to estimate fair value of stock-based awards with the following assumptions for the indicated periods:

| | Awards granted during the six months ended June 30, 2008 | Awards granted prior to January 1, 2008 |
|--|--|---|
| Dividend yield | 0% | 0% |
| Expected volatility | 35.5% | 21.4% - 39.1% |
| Weighted-average volatility | 35.50% | 27.18% |
| Risk-free interest rate | 3.00% | 5.00% |
| Expected life of options (in years) | 5 | 3-5 |
| Weighted-average grant-date fair value | \$ 2.31 | \$ 2.40 |

During the six months ended June 30, 2008, options to purchase an aggregate of 20,000 shares of RMI's common stock were granted to RMI's four outside directors. The options granted to RMI's four outside directors were granted on January 2, 2008, were fully vested upon grant, are exercisable at \$6.40 per share, and expire five years after the date of grant.

The following table summarizes RMI's stock option activity during the first six months of fiscal 2008:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (1) | Aggregate Fair Value | Aggregate Intrinsic Value (2) |
|-----------------------------|---------|---------------------------------------|---|----------------------------|--|
| Outstanding January 1, 2008 | 366,125 | \$ 11.01 | 2.75 | \$ 935,166 | |
| Granted | 20,000 | 6.40 | | 46,200 | |
| Exercised | | | | | |
| Forfeited or expired | (7,000) | 11.00 | | (13,650) | |

| | | | | | | |
|---------------------------|---------|----|-------|------|------------|----|
| Outstanding June 30, 2008 | 379,125 | \$ | 10.76 | 2.39 | \$ 967,716 | \$ |
| Exercisable June 30, 2008 | 305,708 | \$ | 10.82 | 2.16 | \$ 180,668 | \$ |

(1) Remaining contractual term is presented in years.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing price of RMI's common stock as of June 30, 2008, for those awards that have an exercise price currently below RMI's closing price as of June 30, 2008. Awards with an exercise price above RMI's closing price as of June 30, 2008 are considered to have no intrinsic value.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Stock-Based Compensation (Continued):

A summary of the status of RMI's nonvested shares as of June 30, 2008 and changes during the six months ended June 30, 2008 is presented below:

| | Shares | Weighted Average Grant-Date Fair Value |
|--|----------|---|
| Nonvested stock options at January 1, 2008 | 149,375 | \$ 2.61 |
| Granted | 20,000 | |
| Vested | (91,458) | 2.03 |
| Forfeited | (4,500) | 1.95 |
| Nonvested stock options at June 30, 2008 | 73,417 | \$ 3.28 |

During the six months ended June 30, 2008 and 2007, RMI recognized compensation expense of \$111,285 and \$135,441, respectively, and a tax benefit of \$25,774 and \$13,091, respectively, related thereto. As of June 30, 2008, there was \$171,290 of total unrecognized compensation cost. That cost is expected to be recognized over the weighted average period of 1.47 years. The total fair value of options to purchase 91,458 and 75,126 shares of RMI's common stock vested during the six months ended June 30, 2008 and 2007 was \$185,543 and \$146,496, respectively. During the six months ended June 30, 2008, options to purchase 7,000 shares of RMI's common stock were forfeited, fair value per share of \$1.95, with a total fair value of \$13,650.

3. Notes Payable:

Notes payable consists of the following:

| | June 30, 2008 | December 31, 2007 |
|--|------------------|----------------------|
| Balance of notes payable outstanding from year end | \$ 13,721,172 | \$ 16,485,515 |
| Note payable, 8.25% interest rate with monthly payments of \$1,440, due April 25, 2013, collateralized by vehicles | 68,700 | |
| Notes payable, interest rates ranging 5.39% to 6.8% with combined monthly principal payments of \$42,032 plus interest, due dates ranging from June 26, 2011 to June 26, 2014, collateralized by equipment | 2,302,002 | |
| | 16,091,874 | 16,485,515 |
| Less: current portion | (5,029,394) | (4,216,498) |
| | \$ 11,062,480 | \$ 12,269,017 |

Following are maturities of long-term debt as of June 30, 2008 for each of the following years:

| | |
|------|--------------|
| 2009 | \$ 5,029,394 |
| 2010 | 4,394,406 |
| 2011 | 3,084,713 |
| 2012 | 1,689,947 |

| | |
|--------------------|---------------|
| 2013 | 804,087 |
| Subsequent to 2013 | 1,089,327 |
| | \$ 16,091,874 |

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Lines of Credit:

In October 2007, the Company amended and restated its line of credit agreements. The Company combined a \$3.0 million line of credit and an approximately \$2.0 million line of credit into a single \$10.0 million line of credit for MVCI with an interest rate at Chase Manhattan Bank's prime rate, plus .25%. The interest rate as of June 30, 2008 was 5.25%. The balance outstanding on the line of credit as of June 30, 2008 was \$265,669 and is reported in Note 3 Notes Payable of these notes to condensed consolidated financial statements. The loan agreement allows interest only payments until January 31, 2009. Beginning February 1, 2009, the line of credit converts into a term agreement requiring equal monthly principal plus interest payments through January 31, 2012 and is collateralized by all of MVCI's and the Company's assets. Under the terms of the loan agreement, the Company and/or MVCI are required to maintain a certain level of tangible net worth, a ratio of total debt to tangible net worth as well as a minimum cash flow to debt ratio. The Company is also required to maintain a certain level of earnings before interest, tax, depreciation and amortization (EBITDA). MVCI is also required to maintain a certain level of cash flow to current portion of long term debt. As of June 30, 2008, the Company and MVCI were in compliance with these covenants.

As of June 30, 2008, the Company had a \$5.0 million line of credit loan agreement for RMI, with an interest rate at Chase Manhattan Bank's prime rate, plus .25%. The interest rate as of June 30, 2008 was 5.25%. The balance outstanding on the line of credit as of June 30, 2008 was \$364,012 and is reported in Note 3 Notes Payable of these notes to condensed consolidated financial statements. The loan agreement allows interest only payments until December 31, 2008. If the agreement is not renewed by December 31, 2008 and a balance is outstanding, then the line of credit converts into a term agreement requiring equal monthly principal plus interest payments through December 31, 2011 and is collateralized by all of RMI's and the Company's assets. Under the terms of the loan agreement, the Company and/or RMI are required to maintain a certain level of tangible net worth, a ratio of total debt to tangible net worth as well as a minimum cash flow to debt ratio. The Company is also required to maintain a certain level of earnings before interest, tax, depreciation and amortization (EBITDA). RMI is also required to maintain a certain level of cash flow to current portion of long-term debt. As of June 30, 2008, the Company and RMI were in compliance with these covenants.

In addition to the line of credit agreements mentioned above, the Company and RMI have each established capital expenditure commitments in the amounts of \$10.0 million and \$15.0 million, respectively. The purpose of these commitments is to fund certain acquisitions of capital equipment that the Company and RMI may need to improve capacity or productivity. As of June 30, 2008, the Company and RMI had approximately \$6.9 million and \$6.6 million, respectively, available to draw against under such commitments.

5. Commitments:

During the six months ended June 30, 2008, the Company extended three material purchase agreements and entered into one new material purchase agreement with various expirations through April 5, 2015. The Company also entered into three lease agreements related to office space and office equipment. Combined minimum future payments under these non-cancelable material purchase agreements and lease agreements entered into during the six months ended June 30, 2008 for each of the following years are:

| | |
|------------|---------------------|
| 2009 | \$ 732,392 |
| 2010 | 1,106,873 |
| 2011 | 1,446,365 |
| 2012 | 1,652,615 |
| 2013 | 1,652,615 |
| After 2013 | 3,027,180 |
| | \$ 9,618,040 |

Table of Contents

**MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

5. Commitments (Continued):

The Company has agreed to indemnify its officers and directors for certain events or occurrences that may arise as a result of the officer or directors serving in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. However, the Company has a directors' and officers' liability insurance policy that enables it to recover a portion of any future amounts paid up to \$25.0 million. In August 2008, a lawsuit was filed against the Company and each of the Company's directors in connection with the Company's previously announced Agreement and Plan of Merger dated July 28, 2008 with Phoenix Parent Corp. and Phoenix Merger Sub Inc. The complaint alleges among other matters, that the Company and its directors breached their fiduciary duties for failure to maximize shareholder value in the negotiation of the merger. The Company believes that this lawsuit is without merit and intends to vigorously defend itself. As a result, the Company believes the estimated fair value of these indemnification agreements is minimal and has not recorded liabilities for these agreements as of June 30, 2008.

The Company enters into indemnification provisions under its agreements with other companies in the ordinary course of business, typically with business partners, customers, landlords, lenders and lessors. Under these provisions the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company's activities or, in some cases, as a result of the indemnified party's activities under the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of June 30, 2008.

6. Statement of Cash Flows:

Non-Cash Investing and Financing Activities:

The Company recognized investing and financing activities that affected assets and liabilities, but did not result in cash receipts or payments. These non-cash activities are as follows:

During the six months ended June 30, 2008 and 2007, the Company financed the purchase of equipment in the amounts of \$1,851,424 and \$2,240,786, respectively.

During the six months ended June 30, 2008 and 2007, the Company incurred \$263,652 and \$208,404, respectively, in stock-based compensation expense associated with stock option grants to employees, directors and consultants.

During the six months ended June 30, 2008 and 2007, the Company realized income tax benefits of \$0 and \$82,689, respectively, as a result of disqualifying dispositions of incentive stock options and exercises of nonqualified stock options, which is included in income taxes payable and additional paid-in capital.

7. Litigation and Claim Matters:

The Company and its subsidiaries are party to legal proceedings in the ordinary course of business. With the exception of the matters detailed below, the Company believes that the nature of these proceedings (which generally relate to disputes between the Company, or the Company's subsidiaries, and its subcontractors, material suppliers or customers regarding payment for work performed or materials supplied) are typical for a construction firm of its size and scope, and no other pending proceedings are deemed to be materially detrimental and some claims may prove beneficial to the Company's financial condition.

Table of Contents

**MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

7. Litigation and Claim Matters (Continued):

The following proceedings represent matters that may be material and have been referred to legal counsel for further action:

Requests for Equitable Adjustment to Construction Contracts. MVCI has made claims as described below on the following contracts:

- (1) Two contracts with the New Mexico State Highway and Transportation Department - The approximate total value of claims on these projects is \$12,002,782 of which \$8,336,931 is on behalf of MVCI and the balance of \$3,665,851 is on behalf of the prime contractor or subcontractors. The primary issues are changed conditions, plan errors and omissions, contract modifications and associated delay costs. In addition, the projects were not completed within the adjusted contract time because of events giving rise to the claims. The prosecution of the claims will include the appropriate extensions of contract time to offset any potential liquidated damages. The trial date has been postponed to May 4, 2009.
- (2) Federal Highway Administration The approximate total value of claims on this project is \$7,081,529, of which \$6,751,940 is on behalf of MVCI and the balance of \$329,589 is on behalf of a subcontractor. The primary issues are unforeseen conditions, changed conditions, plan errors and omissions, contract modifications and associated delay costs. In addition, the projects were not completed within the adjusted contract time because of events giving rise to the claims. On September 18, 2006, MVCI submitted a formal claim with the Federal Highway Administration. On September 28, 2007, the Federal Highway Administration denied all of MVCI's claims. On November 6, 2007, MVCI filed an appeal with the United States Civilian Board of Contract Appeals and no trial date has been set as of the date of this report. MVCI and the Federal Highway Administration have since engaged in settlement discussions of all claims.

The combined total of all outstanding claims as of June 30, 2008 is \$19,084,311. MVCI's portion of the total claims is \$15,088,871 and the balance pertaining to a prime contractor or subcontractors' claims is \$3,995,440.

Total claim amounts reported by MVCI are approximate and are subject to revision as final documentation progresses and as issues are resolved and/or payments made. Claim amounts do not include any prejudgment interest, if applicable. Relative to the aforementioned claims, the Company has recorded \$2,463,880 in cumulative claims receivable to offset a portion of costs incurred to date on the claims.

The Company has not accrued a liability related to the prime contractor or subcontractors' claims as no liability would be deemed payable if their portion of the claims did not receive a favorable final outcome. Correspondingly, no receivable has been recorded for overhead and profit included in their portion of the claims on the Company's behalf.

Although the Company believes that the claims receivable amount represents a reasonably conservative posture, any claim proceeds ultimately paid to the Company less than the aggregate amount recorded on the balance sheet of \$2,463,880, will decrease earnings. Conversely, a payment for those same items in excess of \$2,463,880 will result in increased income.

The portion of accounts receivable pertaining to retention withheld on the contracts for which claims have been filed totals \$879,763. The degree to which the Company is successful in prosecuting its claims may also impact the amount of retention paid by the owners on the contracts. The Company believes that all retention amounts currently being held by the owners on the contracts with outstanding claims will be paid in full in accordance with the contract terms. Therefore, no allowance has been made to reduce the receivables due from the retention on the disputed contracts.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Litigation and Claim Matters (Continued):**Lawsuits Filed Against Meadow Valley Contractors, Inc. and Ready Mix, Inc.**

- (1) MVCI is defending a claimed preference, in the Third Judicial Court of Salt Lake County, Utah, in connection with a payment made to it by an insurance company, Southern America Insurance Company, in the approximate amount of \$100,000. In January 2008, the court entered judgment against MVCI in the amount of approximately \$185,000, representing the original claim amount plus interest. In April 2008, MVCI settled this lawsuit for an amount less than the judgment amount.
- (2) MVCI, through its insurance company, is providing a defense to the State of Arizona, pursuant to its obligations under its contract, for a complaint brought by the parents of Corey James and Michelle James in the Superior Court of the State of Arizona, in and for the County of Pinal. The complaint, No. CV00400744, was filed on July 9, 2004. The complaint is a civil action titled John James, the Father of Decedent Corey James, Donna James, the mother of Decedent Corey James, Marjorie Surine, the Mother of Decedent Michelle James and Joseph Burkhamer, the Father of Decedent Michelle James, Plaintiffs, vs. The State of Arizona, a Body Politic; John Does and Jane Does 1-10; ABC Companies 1-5; and Black and White Corporations, Partnerships and/or Sole proprietorships 1-10, or Other Entities, Defendants. The complaint seeks damages from the State of Arizona for losses suffered by the plaintiffs as a result of a traffic accident. In January 2006, Joseph Burkhamer, the father of decedent Michelle James, was dismissed from the complaint and he has appealed the dismissal. During 2007, MVCI's insurance company settled with the remaining plaintiffs with no additional responsibility for MVCI. MVCI denies responsibility for the accident and is vigorously defending the action. MVCI is unable to ascertain if any loss is probable or even estimable and accordingly, has not accrued a liability related to this complaint as of June 30, 2008.
- (3) On November 8, 2007, Kitchell Contractors, Inc. of Arizona filed a complaint (CV2007-020708) in the Superior Court of the State of Arizona, against RMI for reimbursement of costs they incurred to remove and replace concrete totaling approximately \$200,000. The claim alleges that the materials supplied to a construction project did not meet the minimum standards as defined in the contract between the parties. RMI is disputing the claim and is vigorously defending against the complaint. As such, no liability has been recorded as of June 30, 2008 related to this matter.

8. Earnings per Share:

Statement of Financial Accounting Standards No. 128, Earnings per Share, provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity, as set forth below:

| | Six months ended | | Three months ended | |
|--|------------------|-----------|--------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| Weighted average common shares outstanding | 5,163,289 | 5,124,545 | 5,177,212 | 5,128,793 |
| Dilutive effect of: | | | | |
| Stock options and warrants | 145,138 | 180,534 | 138,804 | 185,512 |
| Weighted average common shares outstanding assuming dilution | 5,308,427 | 5,305,079 | 5,316,016 | 5,314,305 |

Table of Contents

**MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

8. Earnings per Share (Continued):

All dilutive common stock equivalents are reflected in our earnings per share calculations. Anti-dilutive common stock equivalents are not included in our earnings per share calculations. For the six months ended June 30, 2008, the Company had outstanding options to purchase 177,026 shares of common stock at a range of \$1.46 to \$4.56 per share, which were included in the earnings per share calculation as they were dilutive and outstanding options and warrants to purchase 196,879 shares of common stock at a range of \$9.38 to \$13.88 per share, which were not included in the earnings per share calculation as they were anti-dilutive.

The Company's diluted net income per common share at June 30, 2007 is computed based on the weighted average number of shares of common stock outstanding during the period and the weighted average number of shares underlying options and warrants to purchase 411,915 common shares at a range of \$1.46 to \$12.60.

9. Income Taxes:

The Company's effective tax rate is based on expected income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, in accordance with APB Opinion No. 28, the Company estimates the annual tax rate based on projected taxable income for the full year and records a quarterly income tax provision in accordance with the anticipated annual rate. As the year progresses, we refine the estimates of the year's taxable income as new information becomes available, including year-to-date financial results. This continual estimation process can result in a change to the expected effective tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual tax rate. Significant judgment is required in determining the Company's effective tax rate and in evaluating our tax positions.

The effective income tax rate of approximately 36% and 37% for the six months ended June 30, 2008 and 2007, respectively, differed from the statutory rate, due primarily to state income taxes and non-deductible stock-based compensation expense associated with employee incentive stock options.

10. Subsequent Events:

On July 28, 2008, the Company entered into an agreement and plan of merger (Agreement) with affiliates of Insight Equity I LP (Insight). Pursuant to the Agreement, each issued and outstanding share of the Company's common stock, par value \$0.001 per share, will be converted into the right to receive a cash payment in the amount of \$11.25 per share without interest. Upon closing of the transaction, the Company will no longer be publicly traded. The closing is subject to a number of closing conditions, including the approval of the Company's stockholders.

In accordance with the Agreement, the Special Committee of the Company's Board of Directors, with the assistance of its financial and legal advisors, is conducting a market test for 45 days by soliciting superior proposals from other parties. There is no assurance that the solicitation of proposals will result in a superior proposal or alternative transaction.

The Agreement provides for termination rights for both parties and certain termination rights require the payment of fees and expenses in specific instances. The Company may be required to pay from \$500,000 up to 4.5% of the aggregate merger consideration plus in each case, all of Insight's documented expenses related to this transaction if the Agreement is terminated in certain instances.

On July 28, 2008, the Company announced the merger to the public by issuing a press release dated July 28, 2008 and by filing a Current Report on Form 8-K with the SEC with the Agreement, press release, and a letter to the Company's employees dated July 28, 2008 attached as exhibits. All of these documents are available on the Company's Internet site <http://www.meadowvalley.com>, however, the information on this website is not incorporated into this report.

Table of Contents

MEADOW VALLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Subsequent Events (Continued):

On August 5, 2008, a lawsuit was filed in the Clark County, Nevada District Court under Case No. A569007 Dept. XIII against the Company, each of the Company's directors, Phoenix Parent Corp. and Phoenix Merger Sub Inc. by Pennsylvania Avenue Funds in connection with the Company's previously announced Agreement and Plan of Merger dated July 28, 2008 with Phoenix Parent Corp. and Phoenix Merger Sub Inc. The complaint alleges among other matters, that the Company and its directors breached their fiduciary duties for failure to maximize shareholder value in the negotiation of the merger. The plaintiff is seeking class action certification on behalf of all shareholders of the Company (other than the defendants) and has requested that the court enjoin the merger or, if the merger is consummated prior to the entry of the court's final judgment, rescind the merger or award an unspecified amount of monetary damages. The Company believes that this lawsuit is without merit and intends to vigorously defend itself.

11. Segment Information:

The Company manages and operates three segments—construction services segment, construction materials segment and construction materials testing segment. The construction services segment provides construction services to a broad range of public and some private customers primarily in southern Nevada and Arizona. Through this segment, the Company performs heavy civil construction such as the construction of bridges and overpasses, channels, roadways, highways and airport runways. The construction materials segment manufactures and distributes ready-mix concrete and sand and gravel products in the Las Vegas, Nevada and Phoenix, Arizona markets. Material customers include concrete subcontractors, prime contractors, homebuilders, commercial and industrial property developers and homeowners. The construction materials segment operates out of three locations in the Las Vegas, Nevada vicinity, one location in the Moapa, Nevada vicinity and four locations in the Phoenix, Arizona vicinity. The construction materials testing segment provides materials testing services to the broader construction industry in the Las Vegas, Nevada area.

| | Six Months Ended June 30, | | | | | |
|---|---------------------------|-----------|----------------------|----------------------|-----------|----------------------|
| | 2008 Construction | | | 2007 Construction | | |
| (dollars in thousands) | Services | Materials | Materials Testing | Services | Materials | Materials Testing |
| Gross revenue | \$84,141 | \$32,861 | \$ 908 | \$59,062 | \$42,865 | \$ 587 |
| Intercompany revenue | | (265) | (263) | | (1,051) | (163) |
| Cost of revenue | 76,261 | 32,580 | 721 | 54,665 | 38,407 | 690 |
| Interest income | 331 | 105 | | 584 | 184 | |
| Interest expense | 13 | 55 | | 65 | 81 | |
| Depreciation and amortization | 1,365 | 2,339 | 14 | 1,306 | 2,106 | 9 |
| Income (loss) before income taxes and minority interest in consolidated subsidiary | 4,849 | (1,747) | 72 | 1,384 | 2,393 | (460) |
| Income tax benefit (expense) | (1,746) | 629 | (27) | (499) | (897) | 166 |
| Income (loss) before minority interest in consolidated subsidiary | 3,103 | (1,118) | 45 | 885 | 1,496 | (294) |
| Minority interest in consolidated subsidiary | | 341 | | | (701) | |

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| | | | | | | |
|-------------------|--------|--------|-----|--------|--------|-------|
| Net income (loss) | 3,103 | (777) | 45 | 885 | 795 | (294) |
| Total assets | 70,486 | 45,524 | 521 | 55,692 | 49,572 | 451 |

There are no differences in accounting principles between the three segments. All centrally incurred costs are allocated to the construction services segment. A management fee is allocated to the materials segment in the amount of \$22,000 per month. Intercompany revenue is eliminated at cost to arrive at consolidated revenue and cost of revenue.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
Forward-Looking Statement Disclosure

This Quarterly Report on Form 10-Q and the documents we incorporate by reference herein include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that involve known and unknown risks. All statements other than statements of historical facts contained in this Form 10-Q and the documents we incorporate by reference, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words believe, may, estimate, continue, anticipate, intend, should, plan, could, target, potential, is likely, similar import or statements of our management's opinion, as they relate to us, are intended to identify forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. These forward-looking statements and assumptions involve known and unknown risks, uncertainties and other factors that may cause our actual results, market performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause such differences include, but are not limited to the following: (1) the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement, (2) the outcome of any legal proceedings that have been or may be in the future instituted against the Company and others following announcement of the merger agreement, (3) the inability to complete the merger due to the failure to obtain stockholder approval or satisfy other conditions to the closing of the merger, (4) failure of any party to the merger agreement to abide by the terms of that agreement, (5) risks that the merger, including the uncertainty surrounding the closing of the merger, will disrupt the current plans and operations of the Company, including as a result of undue distraction of management and personnel retention problems, (6) conflicts of interest that may exist between members of management who will be participating in the ownership of the Company following the closing of the merger and (7) the amount of the costs, fees, expenses and charges related to the merger, including the impact of any termination fees the Company may incur, which may be substantial. Furthermore, the expectations expressed in forward-looking statements about the Company could materially differ from the actual outcomes because of changes in demand for the Company's products and services, the timing of new orders and contract awards, the Company's ability to successfully win contract bids, the impact of competitive products and pricing, excess or shortage of production capacity, bonding capacity, and the other risks, uncertainties and assumptions described in Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and any changes thereto in Part II, Item 1A Risk Factors of this Form 10-Q. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Further, our past results of operations do not necessarily indicate our future results. Moreover, the construction services segment and the construction materials segment of our business are very competitive and rapidly changing. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this Quarterly Report on Form 10-Q or in the documents we incorporate by reference, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Quarterly Report on Form 10-Q. You should not rely upon forward-looking statements as predictions of future events or performance. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

General

The following is management's discussion and analysis of certain significant factors affecting our financial position and operating results during the periods included in the accompanying condensed consolidated financial statements. Except for the historical information contained herein, the matters set forth in this discussion are forward-looking

statements.

Table of Contents

Revenue on uncompleted fixed price contracts is recorded under the percentage-of-completion method of accounting. We begin to recognize revenue on our contracts when we first incur direct costs. Contracts often involve work periods in excess of one year and revisions in cost and profit estimates during construction are reflected in the accounting period in which the facts that require the revisions become known. Losses on contracts, if any, are provided for in total when determined, regardless of the percent complete.

In general, labor, equipment and disposable materials tend to be the types of costs with the greatest uncertainty, and, therefore, have the greatest risk of variation from budgeted costs. Permanent materials and subcontract costs tend to be more predictable and, to a greater degree, can be fixed for the duration of the contract, and thus have less risk of variation from the original estimate. We have avoided material deterioration of profit margins due to untimely delivery of important construction materials or from rapidly rising costs of the same, and from minor cost overruns due to rising costs of raw materials in our construction services segment. A significant and unforeseen rise in the cost of crude oil could negatively impact our performance. Likewise, prolonged shortages of raw materials could delay progress on projects, cause cost overruns and potentially erode profit margins.

Overview

As with the first quarter of this year, the second quarter's financial performance was again positively influenced by the results of our construction services segment. The principal reason for the construction services segment's performance is the size and quality of the current backlog. Contract backlog grew from \$139.1 million at the beginning of the second quarter to \$150.9 million at the end of the quarter, or when compared with the prior year, a 54% and 45% increase, respectively. The increase in contract backlog is the combined result of increased bonding capacity and successful bidding and led to a 39% increase in construction services revenue and an 81.3% increase in gross profit from the construction services segment compared to the 2007 second quarter. 92.5% of the quarter's gross profit came from the construction services segment. An indication of the quality of the construction services segment's backlog is the segment's gross margin which improved from 6.8% in the second quarter of 2007 to 8.9% in the second quarter of 2008. Gross margins will usually vary from quarter to quarter depending upon the stage of completion of the work and profit margins of each individual contract and there can be no assurance that margins attained during any period will be sustained in subsequent periods.

The severe decline in residential construction, which historically has represented 45% to 50% of the construction materials segment's revenue, has diminished the segment's performance to slightly better than breakeven at the gross profit level. When comparing the second quarter of 2008 with the same period in 2007, units of ready-mix concrete sold in cubic yards decreased 19.1%, revenue decreased 23.5% from \$22.1 million to \$16.9 million and gross profit decreased 88.0% from \$2.4 million to \$0.3 million. The residential construction segment has several hurdles to overcome before improving. We remain concerned about the number of home foreclosures, the high level of existing inventory of new and resale homes and the continuing problems facing the home financing industry. In spite of these concerns, data suggests that new home permits are stabilizing in our market. The July 14, 2008 edition of *The Las Vegas Housing Market Letter* reports that permits have been rising for the last four months and the May 20, 2008 edition of *The Phoenix Housing Market Letter* reports that new home permits have been stable for eight months. It is not yet clear whether the local housing market has bottomed out, but at least there are indications of that being a possibility and improvement in the residential construction sector is vitally important for our future financial performance.

During the second quarter of 2008, we completed the installation of our construction materials segment's fourth batch plant in the Phoenix, Arizona metropolitan area. This new batch plant location is in Buckeye, Arizona. It will not be necessary to purchase any additional trucks to service sales from our Buckeye plant. Instead, we will be relocating trucks from other batch plants that are not being fully utilized and dedicate them to this new location which, in the future, we believe may be amongst the fastest growing areas in metropolitan Phoenix.

Despite the polar opposite performance of our two primary segments, the consolidated results for the quarter ended June 30, 2008 showed significant improvement when compared to the same period last year. The \$67.7 million of consolidated revenue for the second quarter of 2008 was an especially strong quarter for us and was 15.5% greater than our previous best quarter which was the second quarter of 2007. Consolidated gross profit of \$4.9 million was our third-best quarter ever and our best performance since the fourth quarter of 2006. General and administrative

expenses of \$2.96 million represented 4.4% of revenue, the lowest percentage since the second quarter of 2005.

Table of Contents

Recent Developments

On July 28, 2008, we entered into an agreement and plan of merger (Agreement) with affiliates of Insight Equity I LP (Insight). Pursuant to the Agreement, each issued and outstanding share of our common stock will be converted into the right to receive a cash payment in the amount of \$11.25 per share without interest. The total equity value of the transaction is approximately \$61.3 million and includes outstanding options not yet vested but where the exercise price per share is less than \$11.25 per share. The transaction is expected to close before December 31, 2008 and upon closing, we will no longer be publicly traded. The closing of the transaction is subject to a number of closing conditions, including the approval of our stockholders.

In accordance with the Agreement, the Special Committee of our Board of Directors, with the assistance of its advisors, is conducting a market test for 45 days by soliciting superior proposals from other parties. There is no assurance that the solicitation of proposals will result in a superior proposal or alternative transaction.

For additional and more detailed information regarding the Agreement, please refer to the Form 8-K we filed with the SEC on July 28, 2008. Please also refer to the risk factors included in Part II, Item 1A Risk Factors of this Form 10-Q under the heading Risks Relating to the Pending Merger.

On August 5, 2008, a lawsuit was filed in the Clark County, Nevada District Court under Case No. A569007 Dept. XIII against us, each of our directors, Phoenix Parent Corp. and Phoenix Merger Sub Inc. by Pennsylvania Avenue Funds in connection with our previously announced Agreement and Plan of Merger dated July 28, 2008 with Phoenix Parent Corp. and Phoenix Merger Sub Inc. The complaint alleges among other matters, that we and our directors breached their fiduciary duties for failure to maximize shareholder value in the negotiation of the merger. The plaintiff is seeking class action certification on behalf of all our shareholders (other than the defendants) and has requested that the court enjoin the merger or, if the merger is consummated prior to the entry of the court's final judgment, rescind the merger or award an unspecified amount of monetary damages. We believe that this lawsuit is without merit and intend to vigorously defend ourselves.

Critical Accounting Policies, Estimates and Judgments

Significant accounting policies are described in the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007. We believe our most critical accounting policies are revenue recognition and cost estimation on certain contracts for which we use a percentage-of-completion accounting method, our allowances for doubtful accounts, our inventory allowance, the valuation of property and equipment, and our accounting policies on contingencies, income taxes and the valuation of stock-based compensation. The revenue recognition and cost estimation accounting method is applied by our construction services segment to heavy construction projects executed under multi-year contracts with various customers.

Revenue and costs from fixed-price and modified fixed-price construction contracts are recognized for each contract on the percentage-of-completion method, measured by the percentage of costs incurred to date to the estimated total of direct costs. Direct costs include, among other things, direct labor, field labor, equipment rent, subcontracting, direct materials, and direct overhead. General and administrative expenses are accounted for as period costs and are, therefore, not included in the calculation of the estimates to complete construction contracts in progress. Project losses are provided for in their entirety in the period in which such losses are determined, without reference to the percentage-of-completion. As contracts can extend over one or more accounting periods, revisions in costs and earnings estimated during the course of the work are reflected during the accounting period in which the facts that required such revisions become known.

The asset costs and estimated earnings in excess of billings on uncompleted contracts represents revenue recognized in excess of amounts billed. The liability billings in excess of costs and estimated earnings on uncompleted contracts represents billings in excess of revenues recognized.

The complexity of the estimation process and all issues related to the assumptions, risks and uncertainties inherent with the application of the percentage-of-completion method of accounting affects the amounts reported in our condensed consolidated financial statements. A number of internal and external factors affect our percentage

Table of Contents

-of-completion estimates, including labor rate and efficiency variances, estimated future material prices and customer specification changes. If our business conditions were different, or if we used different assumptions in the application of this accounting policy, it is likely that materially different amounts would be reported in our condensed consolidated financial statements.

We are required to estimate the collectibility of our accounts receivable. A considerable amount of judgment is required in assessing the realization of these receivables, including the current credit worthiness of each customer and the related aging of the past due balances. Our provision for bad debts at June 30, 2008 and December 31, 2007 amounted to \$555,618 and \$594,722, respectively. We determine our reserve by using percentages applied to certain aged receivable categories and percentages of certain types of revenue generated, as well as a review of the individual accounts outstanding and our collection history.

We are required to state our inventories at the lower of cost or market. In assessing the ultimate realization of inventories, we are required to make judgments as to the future demand requirements and compare these with the current inventory levels. Our reserve requirements generally increase as our projected demand requirements decrease due to market conditions and longer than expected usage periods. At June 30, 2008 and December 31, 2007, inventories of \$1,626,225 and \$1,232,478, respectively, are net of reserves of \$199,936. It is possible that significant changes in required inventory reserves may occur in the future if there is a further decline in market conditions or market activity.

We are required to provide property and equipment net of depreciation and amortization expense. We expense depreciation and amortization utilizing the straight-line method over what we believe to be the estimated useful lives of the assets. Leasehold improvements are amortized over their estimated useful lives or the lease term, whichever is shorter. The life of any piece of equipment can vary, even within the same category of equipment, due to the quality of the maintenance, care provided by the operator and the general environmental conditions, such as temperature, weather severity and the terrain in which the equipment operates. We maintain, service and repair a majority of our equipment through the use of our mechanics. If we inaccurately estimate the life of any given piece of equipment or category of equipment we may be overstating or understating earnings in any given period.

We also review our property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Impairments are recognized in the period during which they are identified. Assets to be disposed of, if any, are reported at the lower of the carrying amount or fair value less costs to sell.

We are required to estimate our income taxes in each jurisdiction in which we operate. This process requires us to estimate the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and financial reporting purposes. These temporary differences result in deferred tax assets and liabilities on our balance sheets. We must calculate the blended tax rate, combining all applicable tax jurisdictions, which can vary over time as a result of the allocation of taxable income between the tax jurisdictions and the changes in tax rates. We must also assess the likelihood that the deferred tax assets, if any, will be recovered from future taxable income and, to the extent recovery is not likely, must establish a valuation allowance. This assessment is complicated by the fact that we are required to consolidate our subsidiaries for financial reporting purposes, while being separately reported for tax purposes. As of June 30, 2008, we had total deferred tax asset of \$0.6 million with no valuation allowance and total deferred tax liability of \$2.6 million. The deferred tax asset does not contain a valuation allowance as we believe we will be able to utilize the deferred tax asset through future taxable income.

Furthermore, we are subject to periodic review by domestic tax authorities for audit of our income tax returns. These audits generally include questions regarding our tax filing positions, including the amount and timing of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposures associated with our various tax filing positions, including federal and state taxes, we believe we have complied with the rules of the service codes and therefore have not recorded reserves for any possible exposure. Typically the taxing authorities can audit the previous three years of tax returns and in certain situations audit additional years, therefore a significant

amount of time may pass before an audit is conducted and fully resolved. Although no audits are

Table of Contents

currently being conducted, if a taxing authority would require us to amend a prior year's tax return we would record the increase or decrease in our tax obligation in the period in which it is more likely than not to be realized.

We use the fair value recognition provisions of SFAS 123R, to value stock-based payment awards. Under this method we recognize compensation expense for all stock-based payments granted. In accordance with SFAS 123R we use the Black-Scholes option valuation model to value the stock-based payment awards. Under the fair value recognition provisions of SFAS 123R, we recognize stock-based compensation net of an estimated forfeiture rate and only recognize compensation cost for those shares expected to vest on a straight-line basis over the requisite service period of the award.

Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires the input of highly subjective assumptions, including the expected life of the share-based payment awards and stock price volatility. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period. See Note 2 – Stock-Based Compensation in the accompanying notes to the condensed consolidated financial statements for a further discussion on stock-based compensation.

As discussed elsewhere in this filing, we disclose various litigation and claims matters. These issues involve significant estimates and judgments, which may materially change in future periods due to change in circumstances.

New Accounting Pronouncements

In March 2008, the FASB issued FASB Statement No. 161 – Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 requires companies with derivative instruments to disclose information that should enable financial-statement readers to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact, if any, that SFAS 161 will have on our financial statements.

In April 2008, the FASB issued FSP 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact of FSP 142-3 on our financial position and results of operations.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The implementation of this standard will not have a material impact on our financial position and results of operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Table of Contents**Results of Operations**

The following table sets forth, for the six months and three months ended June 30, 2008 and 2007, certain items derived from the Company's condensed consolidated statements of operations and the corresponding percentage of total revenue for each item:

| (dollars in thousands) | Six months ended June 30, | | | | Three months ended June 30, | | | |
|--|---------------------------|---------------|-----------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2008 | | 2007 | | 2008 | | 2007 | |
| | (Unaudited) | | | | (Unaudited) | | | |
| Revenue: | | | | | | | | |
| Construction services | \$ 84,141 | 71.7% | \$ 59,062 | 58.3% | \$ 50,508 | 74.6% | \$ 36,338 | 62.0% |
| Construction materials | 32,596 | 27.8% | 41,814 | 41.3% | 16,905 | 25.0% | 22,104 | 37.7% |
| Construction materials testing | 645 | 0.5% | 424 | 0.4% | 314 | 0.4% | 209 | 0.3% |
| Total revenue | 117,382 | 100.0% | 101,300 | 100.0% | 67,727 | 100.0% | 58,651 | 100.0% |
| Gross profit | | | | | | | | |
| General and administrative expenses | 8,348 | 7.1% | 8,751 | 8.6% | 4,869 | 7.2% | 4,798 | 8.2% |
| | 5,465 | 4.7% | 6,222 | 6.1% | 2,965 | 4.4% | 3,205 | 5.5% |
| Income from operations | 2,883 | 2.5% | 2,529 | 2.5% | 1,904 | 2.8% | 1,593 | 2.7% |
| Interest income | 436 | 0.4% | 768 | 0.8% | 171 | 0.3% | 399 | 0.7% |
| Interest expense | (68) | -0.1% | (146) | -0.1% | (33) | 0.0% | (68) | -0.1% |
| Other income (expense) | (78) | -0.1% | 166 | 0.2% | (11) | 0.0% | 64 | 0.1% |
| Income before income taxes and minority interest in consolidated subsidiary | | | | | | | | |
| Income tax expense | 3,174 | 2.7% | 3,317 | 3.3% | 2,031 | 3.0% | 1,988 | 3.4% |
| | (1,144) | -1.0% | (1,230) | -1.2% | (732) | -1.1% | (758) | -1.3% |
| Income before minority interest in consolidated subsidiary | | | | | | | | |
| Minority interest in consolidated subsidiary | 2,030 | 1.7% | 2,087 | 2.1% | 1,299 | 1.9% | 1,230 | 2.1% |
| | 341 | 0.3% | (701) | -0.7% | 142 | 0.2% | (374) | -0.6% |
| Net income | \$ 2,371 | 2.0% | \$ 1,386 | 1.4% | \$ 1,441 | 2.1% | \$ 856 | 1.5% |
| Depreciation and amortization | | | | | | | | |
| | \$ 3,718 | 3.2% | \$ 3,421 | 3.4% | \$ 1,888 | 2.8% | \$ 1,777 | 3.0% |

Six Months Ended June 30, 2008 compared to Six Months Ended June 30, 2007

Revenue and Backlog. Consolidated revenue for the six months ended June 30, 2008, which we refer to as interim 2008, was \$117.4 million compared to \$101.3 million for the six months ended June 30, 2007, which we refer to as interim 2007. The increase in revenue was primarily the result of a \$25.1 million increase in revenue from the construction services segment and a \$0.2 million increase in the construction materials testing segment, offset by \$9.2 million decrease in revenue from the construction materials segment. The decreased revenue from the

construction materials segment resulted primarily from an 18.4% decrease in the sale of cubic yards of concrete, which we refer to as units, aggravated by a 5.6% decrease in the average unit sales price. The construction services segment revenue was impacted by the amount of the progress schedules of current projects in progress and nature of the contracts contained in the backlog at the beginning of interim 2008.

Gross Profit. Consolidated gross profit decreased to \$8.3 million for interim 2008 from \$8.8 million for interim 2007 and consolidated gross margin, as a percent of revenue, decreased to 7.1% in interim 2008 from 8.6% in interim 2007. Gross profit from the construction services segment increased to \$7.9 million in interim 2008 when compared to \$4.4 million in interim 2007 and the gross profit margin increased to 9.4% in interim 2008 from 7.4% in interim 2007. Gross profit margins in the construction services segment are affected by a variety of factors including the quality and accuracy of the original estimate, construction delays and difficulties due to weather conditions, availability of materials, the timing of work performed by other subcontractors and the physical and geological condition of the construction site, therefore the gross profit in interim 2008 may not be indicative of the annual gross profit margin. Gross profit from the construction materials segment decreased to \$0.3 million in interim 2008 from \$4.5 million in interim 2007 and the gross profit margin decreased to 0.9% from 10.7% in the respective periods. The decrease from the construction materials segment in gross profit margin during interim 2008 was primarily due to the reduced sales volume, reduced average selling price, and higher fixed costs associated with the increased capacity completed during 2007.

General and Administrative Expenses. General and administrative expenses decreased to \$5.5 million for interim 2008 from \$6.2 million in interim 2007. General and administrative expenses decreased due to decreases in compensation costs.

Table of Contents

Interest Income, Expense and Other Income (Expense). Interest income and other income (expense) decreased \$0.6 million, while interest expense decreased \$0.1 million in interim 2008 when compared to interim 2007. Other income (expense) decreased due to gains on the sale of equipment in interim 2007.

Income Taxes. The income tax provision for interim 2008 remained relatively flat when compared with interim 2007. The interim 2008 income tax provision was \$1.1 million compared to an income tax provision of \$1.2 million for interim 2007.

Net Income. Net income was \$2.4 million for interim 2008 as compared to net income of \$1.4 million for interim 2007. The overall increase in net income was the result of the additive effect of minority interest on RMI's net losses in interim 2008 compared to a reduction of minority interest on RMI's net income in interim 2007.

Three Months Ended June 30, 2008 compared to Three Months Ended June 30, 2007

Revenue and Backlog. Consolidated revenue for the three months ended June 30, 2008, which we refer to as 2nd quarter 2008, was \$67.7 million compared to \$58.7 million for the three months ended June 30, 2007, which we refer to as 2nd quarter 2007. The increase in revenue was primarily the result of a \$14.2 million increase in revenue from the construction services segment, offset by \$5.2 million decrease in revenue from the construction materials segment. The decreased revenue from the construction materials segment resulted primarily from a 19.1% decrease in the sale of cubic yards of concrete, which we refer to as units, compounded by a 6.0% decrease in the average unit sales price. The construction services segment revenue was impacted by the amount of the progress schedules of current projects in progress and nature of the contracts contained in the backlog at the beginning of 2nd quarter 2008.

Gross Profit. Consolidated gross profit increased to \$4.9 million for 2nd quarter 2008 from \$4.8 million for 2nd quarter 2007 and consolidated gross margin, as a percent of revenue, decreased to 7.2% in 2nd quarter 2008 from 8.2% in 2nd quarter 2007. Gross profit from the construction services segment increased to \$4.5 million in 2nd quarter 2008 when compared to \$2.5 million in 2nd quarter 2007 and the gross profit margin increased to 8.9% in 2nd quarter 2008 from 6.8% in 2nd quarter 2007. Gross profit margins in the construction services segment are affected by a variety of factors including the quality and accuracy of the original estimate, construction delays and difficulties due to weather conditions, availability of materials, the timing of work performed by other subcontractors and the physical and geological condition of the construction site, therefore the gross profit in 2nd quarter 2008 may not be indicative of the annual gross profit margin. Gross profit from the construction materials segment decreased to \$0.3 million in 2nd quarter 2008 from \$2.4 million in 2nd quarter 2007 and the gross profit margin decreased to 1.7% from 10.7% in the respective periods. The decrease from the construction materials segment in gross profit margin during 2nd quarter 2008 was primarily due to reduced sales volume, reduced average selling price, and higher fixed costs associated with the increased capacity completed during 2007.

General and Administrative Expenses. General and administrative expenses decreased to \$3.0 million for 2nd quarter 2008 from \$3.2 million in 2nd quarter 2007. General and administrative expenses decreased due to decreases in compensation costs.

Interest Income, Expense and Other Income (Expense). Interest income and other income (expense) decreased \$0.3 million, while interest expense remained flat in 2nd quarter 2008 compared to 2nd quarter 2007. Other income (expense) decreased due to gains on the sale of equipment in 2nd quarter 2007.

Income Taxes. The income tax provision for 2nd quarter 2008 was \$0.7 million compared to an income tax provision of \$0.8 million for 2nd quarter 2007.

Net Income. Net income was \$1.4 million for 2nd quarter 2008 as compared to net income of \$0.9 million for 2nd quarter 2007. The overall increase in net income was the result of the additive effect of minority interest on RMI's net losses in 2nd quarter 2008 compared to a reduction of minority interest on RMI's net income in 2nd quarter 2007.

Seasonality

The construction industry is seasonal, generally due to inclement weather and length of daylight hours occurring in the winter months. Accordingly, we may experience a seasonal pattern in our operating results with

Table of Contents

lower revenue in the first and fourth quarters of each calendar year. Quarterly results may also be affected by the timing of bid solicitations by governmental authorities, the stage of completion of major projects and revenue recognition policies. Results for any one particular quarter, therefore, may not be indicative of results for other quarters or for the year.

Inflation

Inflation has not had a material impact on our financial results; however, increases in liquid asphalt, fuel, aggregates, the purchase price of certain other materials and transportation costs have affected our costs of construction. These increases have been mitigated in our financial results due to our general anticipation of cost increases, such as those discussed above, and were considered in our bids to customers on proposed new construction projects. Some of our customers also provide for adjustments in certain construction material prices that are based upon published commodity cost indexes.

Where we are the successful bidder on a project, we execute purchase agreements with material suppliers and contracts with subcontractors covering the prices and quantities of most materials and services, other than fuel products, thereby mitigating future price increases and supply disruptions.

There can be no assurance that liquid asphalt, fuel, aggregates or other construction materials used in our business will be adequately covered by the estimated escalation we have included in our bidding process or that all of our vendors will fulfill their pricing and supply commitments under their purchase agreements and contracts with us. We adjust our total estimated costs on our projects where we believe it is probable that we will have cost increases which will not be recovered from customers or vendors.

Liquidity and Capital Resources

Our primary need for capital will be to maximize our working capital to continually improve our bonding limits. RMI no longer guarantees any Meadow Valley debt; however, Meadow Valley Corporation continues to maintain certain guarantees for the benefit of RMI. We expect, but cannot assure, that eventually there will be no guarantees between the two related companies. As we expand our businesses we will continue to utilize the availability of capital offered by financial institutions, in turn increasing our total debt and debt service obligations.

Our level of working capital may be impacted as it relates to the closing of the merger agreement. We will incur significant additional professional fees, including legal fees defending the Company and its board members in the lawsuit discussed above, pursuant to the terms of the merger agreement.

Historically, our largest provider of financing has been Wells Fargo Equipment Financing, Inc., formerly known as CIT Construction, who we refer to as WFE. We believe our working capital and our historical sources of capital will be satisfactory to meet our needs for at least one year from the date of this Quarterly Report on Form 10-Q.

In October 2007, we amended and restated our line of credit agreements with WFE. This amendment combined a \$3.0 million line of credit and an approximately \$2.0 million line of credit into a single \$10.0 million line of credit for MVCI. This amendment reduced MVCI's interest rate from .75% to .25% plus the Chase Manhattan Bank's prime rate. This agreement with WFE also provides MVCI a capital expenditure commitment of \$10.0 million. As of June 30, 2008, MVCI had approximately \$9.7 million available on this revolving credit facility and also had approximately \$6.9 million available on the capital expenditure commitment.

We also have an additional credit facility with WFE which provides RMI with a \$5.0 million line of credit, as well as a \$15.0 million capital expenditure commitment. As of June 30, 2008, RMI had approximately \$4.6 million available on its revolving credit facility and also had approximately \$6.6 million available on the capital expenditure commitment.

These WFE credit facilities are collateralized by each of our subsidiary's assets and are guaranteed by the Company.

Table of Contents

Listed below are the covenants which are required to be maintained by the Company on a consolidated basis and individual subsidiary covenant requirements as of June 30, 2008 and December 31, 2007:

Meadow Valley Corporation:

| (amounts in thousands) | June 30, 2008 | | December 31, 2007 | |
|-----------------------------------|----------------------|----------------|----------------------|----------------|
| | Covenant Requirement | Actual Results | Covenant Requirement | Actual Results |
| Minimum Net Worth (1) | 21,156 | 37,332 | 21,156 3.0 to | 34,527 |
| Maximum Leverage (2) | n/a | n/a | 1.0 | 1.58 to 1.0 |
| Maximum Funded Debt to EBITDA (3) | 3.0 to 1.0 | 1.11 to 1.0 | 3.0 to 1.0 | 1.19 to 1.0 |
| Minimum CF/CPLTD (4) | n/a | n/a | 1.25 to 1.0 | 2.58 to 1.0 |

Meadow Valley Contractors, Inc.

| (amounts in thousands) | June 30, 2008 | | December 31, 2007 | |
|------------------------|----------------------|----------------|----------------------|----------------|
| | Covenant Requirement | Actual Results | Covenant Requirement | Actual Results |
| Minimum CF/CPLTD (4) | n/a | n/a | 1.25 to 1.0 | 2.17 to 1.0 |

Ready Mix, Inc.

| (amounts in thousands) | June 30, 2008 | | December 31, 2007 | |
|------------------------|----------------------|----------------|----------------------|----------------|
| | Covenant Requirement | Actual Results | Covenant Requirement | Actual Results |
| Minimum CF/CPLTD (4) | n/a | n/a | 1.25 to 1.0 | 2.84 to 1.0 |

(1) Minimum Net Worth is defined as the sum of common stock, additional paid in capital, retained earnings minus goodwill and other intangible assets, all determined in accordance with United States Generally Accepted Accounting Principles. Base net worth of \$14,000,000 as

of
September 15,
2005 plus 75%
of net profit for
every fiscal year
thereafter,
beginning
December 31,
2005.

(2) Leverage is
defined as total
liabilities to Net
Worth.
Measured at
fiscal year end.

(3) Funded Debt to
EBITDA is
defined as all
interest bearing
notes, loans and
capital leases
divided by the
sum of net
profit, interest
expense, taxes,
depreciation and
amortization
less interest
income and
dividends, plus
or minus
minority interest
of consolidated
subsidiary and
extraordinary
expenses or
gains, to be
determined at
WFE's sole
discretion, for
the previous
four fiscal
quarterly
periods.
Measured
quarterly.

(4) Minimum CF to
CPLTD is

defined as cash flow (the sum of net profit, depreciation and amortization, less dividends, plus or minus extraordinary expenses or gains, to be determined at WFE's sole discretion) divided by the current portion of long term debt. Measured at fiscal year end.

n/a Not required to be calculated at the interim period.

The following table sets forth for the six months ended June 30, 2008 and 2007, certain items from the condensed consolidated statements of cash flows.

| | Six Months Ended June 30, | |
|---|---------------------------|--------------|
| | 2008 | 2007 |
| | (unaudited) | |
| Cash flows provided by operating activities | \$13,241,971 | \$ 9,271,509 |
| Cash flows used in investing activities | (998,063) | (8,218,252) |
| Cash flows used in financing activities | (2,118,878) | (2,737,706) |

Cash provided by operating activities during interim 2008 of \$13.2 million represents a \$4.0 million increase from the amount provided by operating activities during interim 2007. The change was primarily due to the increase in cash received from customers, partially offset by increases in cash paid to our suppliers and our employees.

Cash used in investing activities during interim 2008 of \$1.0 million represents a \$7.2 million decrease from the amount used in investing activities during interim 2007. The change was primarily due to the purchase of minority interest common stock in interim 2007.

Table of Contents

Cash used in financing activities during interim 2008 of \$2.1 million represents a \$.6 million decrease from the amount used in financing activities during interim 2007. The change was primarily due to the decrease in cash used in repayments of notes payable.

Website Access

Our website address is www.meadowvalley.com. On our website we make available, free of charge, our Annual Report on Form 10-K, our most recent quarterly reports on Form 10-Q, current reports on Form 8-K, Forms 3, 4, and 5 related to beneficial ownership of securities, our code of ethics and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information on our website is not incorporated into, and is not part of, this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk generally represents the risk that losses may occur in the values of financial instruments as a result of movements in interest rates, foreign currency exchange rates and commodity prices. We do not have foreign currency exchange rate and commodity price market risk.

Interest Rate Risk From time to time we temporarily invest our excess cash in interest-bearing securities issued by high-quality issuers. We monitor risk exposure to monies invested in securities in our financial institutions. Due to the short time the investments are outstanding and their general liquidity, these instruments are classified as cash equivalents in our condensed consolidated balance sheets and do not represent a material interest rate risk. Our primary market risk exposure for changes in interest rates relates to our long-term debt obligations. We manage our exposure to changing interest rates principally through the use of a combination of fixed and floating rate debt.

We evaluated the potential effect that near term changes in interest rates would have had on the fair value of our interest rate risk sensitive financial instruments at June 30, 2008. Assuming a 100 basis point increase in the prime interest rate at June 30, 2008, the potential increase in our debt obligations would have been approximately \$6.3 thousand at June 30, 2008. See Note 3 - Notes Payable and Note 4 - Lines of Credit in the notes of the accompanying June 30, 2008 condensed consolidated financial statements.

Item 4T. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer, based on their evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that (i) our disclosure controls and procedures are effective for ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of June 30, 2008.

This report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the

Table of Contents

Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this report.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

For information about legal proceedings involving us, see Note 7 – Litigation and Claim Matters to the condensed consolidated financial statements in Part I of this report, which we incorporate by reference into this Item 1.

Subsequent to the second quarter end, June 30, 2008, and subsequent to our announcement of our execution of the Agreement and Plan of Merger, July 28, 2008, a lawsuit was filed in the Clark County, Nevada District Court under Case No. A569007 – Dept. XIII against the Company, each of the Company's directors, Phoenix Parent Corp. and Phoenix Merger Sub Inc. by Pennsylvania Avenue Funds in connection with the Company's previously announced Agreement and Plan of Merger dated July 28, 2008 with Phoenix Parent Corp. and Phoenix Merger Sub Inc. The complaint alleges among other matters, that the Company and its directors breached their fiduciary duties for failure to maximize shareholder value in the negotiation of the merger. The plaintiff is seeking class action certification on behalf of all shareholders of the Company (other than the defendants) and has requested that the court enjoin the merger or, if the merger is consummated prior to the entry of the court's final judgment, rescind the merger or award an unspecified amount of monetary damages. The Company believes that this lawsuit is without merit and intends to vigorously defend itself.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, the factors and risks listed below, among others, could affect our future performance and should be carefully considered in evaluating our outlook. You should also carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Risks Relating to the Pending Merger

The merger process could adversely affect our business.

On July 28, 2008, we entered into a definitive agreement to be acquired by certain affiliates of Insight Equity I LP (Insight) for \$11.25 per share in cash without interest. The process relating to the merger could cause disruptions in our business, which could have an adverse effect on our financial results. Among other things, uncertainty as to whether a transaction will be completed with Insight or another acquiring party may cause current and prospective employees to become uncertain about their future roles with the Company after the completion of the merger process. This uncertainty could adversely affect our ability to retain employees and our relationships with customers and vendors. Further, the attention of management may be directed toward the completion of a transaction and diverted from day-to-day operations. Furthermore, certain members of our management, in Messes. Larson and Nelson, will have an ownership interest in us following the closing of the merger and are subject to conflicts of interest. All of the foregoing could materially adversely effect our business and operations.

Table of Contents

The failure to complete the merger could adversely affect our business.

There is no assurance that the merger agreement with Insight or any other transaction will occur. If the proposed merger or similar transaction is not completed, the share price of our common stock may change to the extent that the current market price of our common stock reflects an assumption that a transaction will be completed. In addition, under circumstances defined in the merger agreement, we may be required to pay a termination fee of up to approximately \$2.8 million, which represents up to 4.5% of the total merger consideration, and reimburse reasonable out-of-pocket fees and expenses incurred with respect to the transactions contemplated by the merger agreement. Further, a failed transaction may result in negative publicity and/or a negative impression of us in the investment community.

While the merger agreement is in effect, we are subject to restrictions on our business activities.

While the merger agreement is in effect, we are subject to significant restrictions on our business activities and must generally operate our business in the ordinary course (subject to certain exceptions or the consent of Phoenix Parent Corp.), including that we will not take, and will cause each of our subsidiaries not to take, any of the following actions: (a) split, combine, redenominate, recapitalize, or reclassify capital stock or authorize, declare, set aside, make, or pay any dividend or distribution on any shares of capital stock, options, warrants, convertible securities, or other rights of any kind to acquire or receive capital stock of the Company, any of its subsidiaries; (b) acquire or offer to acquire any business or division thereof or sell, lease, encumber or otherwise dispose of assets outside the ordinary course of business, involving a transaction value in excess of \$300,000 individually (or \$750,000 in the aggregate); (c) except in the ordinary course of business enter into, make any proposal for, renew, extend or amend, or modify in any material respect, terminate, cancel, waive, release, or assign any right or claim under, a contract, agreement, or lease that is or would be material; (d) except for borrowings under the Company's existing credit facilities in the ordinary course of business, incur or become liable for any indebtedness in excess of \$2.0 million, or enter into any off-balance sheet arrangement; (e) become liable for the obligations of, or make any loans, advances, investments in or capital contributions to, any other person in an aggregate amount in excess of \$200,000; (f) mortgage, pledge, or otherwise similarly encumber any assets, or create, assume, or suffer to exist any non-permitted liens thereupon, or alter or apply to alter any zoning classification; (g) incur capital expenditures, or make any acquisition or disposition of assets outside of the ordinary course of business, in an aggregate amount in excess of \$1.5 million; (h) agree to grant or grant any stock-related, cash-based, performance, or similar awards or bonuses or any other award that may be settled in securities of the Company, any of its subsidiaries; (i) enter into, forgive, renew, or amend in any respect any loans to officers or directors or any of their respective affiliates; (j) commence, compromise, settle or agree to compromise or settle any suit, action, claim, proceeding, violation, deficiency, default, non-compliance, or investigation, or consent to the same, if the amount involves the payment of monetary damages either to or from the Company in excess of \$300,000 individually or \$600,000 in the aggregate; (k) enter into any agreement, understanding, or arrangement with respect to the voting or registration of securities; (l) merge or consolidate with any person, subject to certain limited exceptions; (m) adopt or approve a plan of complete or partial liquidation or resolutions providing for a complete or partial liquidation, dissolution, restructuring, recapitalization, or other reorganization; (n) transfer or license to any person or otherwise extend, materially amend, or modify, permit to lapse, or fail to preserve any of intellectual property; (o) establish any subsidiary or enter into any new line of business; (p) close or materially reduce activities at any facility, or effect any material layoff or other personnel reduction or change; (q) allow the Company's and its subsidiaries' bonding capacity to be less than \$200.0 million in the aggregate and \$50.0 million for any individual engagement, or otherwise permit the Company's, or any of its subsidiaries', bonding capacity, bonds or terms thereof to be on terms that are substantially different, in any adverse manner, than the terms that existed on the date the merger agreement was executed; (r) materially modify or cancel any project constituting backlog as of the date the merger agreement was executed, or enter into any order that would constitute backlog at a price and on terms (including profit margin) that are not consistent with the Company's past practices and the ordinary course of business, or that would reasonably be expected after due diligence consistent with the Company's past practice to result in a loss to the Company; (s) call, schedule, establish a record date with respect to, or hold a special or annual meeting of its shareholders, other than the special meeting that is the subject of this proxy statement; or (t) authorize, commit, or agree to take any of the foregoing actions.

We are subject to litigation related to the pending merger.

On August 5, 2008, a stockholder complaint was filed by Pennsylvania Avenue Funds as a purported class action on behalf of all of the Company's stockholders against the Company, each of the Company's directors,

Table of Contents

Phoenix Parent Corp. and Phoenix Merger Sub Inc. in the Clark County, Nevada District Court, Case No. A569007-Dept. XIII, in connection with the Company's previously announced merger agreement. The plaintiff alleges that he is an owner of the Company's common stock. The complaint alleges, among other things, that the Company and its directors breached their fiduciary duties in connection with the proposed merger transaction between the Company and affiliates of Insight by approving a sale process that fails to maximize stockholder value. Among other things, the complaint seeks to enjoin the Company, its directors and the other defendants from proceeding with or consummating the merger between the Company and certain affiliates of Insight. Additional lawsuits pertaining to the merger could be filed in the future.

Any conclusion of this litigation in a manner adverse to the Company could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows. In addition, the cost to the Company of defending the litigation, even if resolved in the Company's favor, could be substantial. Such litigation could also substantially divert the attention of the Company's management and the Company's resources in general.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits:

- 2.1 Agreement and Plan of Merger, dated July 28, 2008, by and among Meadow Valley Corporation, Phoenix Parent Corp. and Phoenix Merger Sub, Inc. (incorporated by reference to exhibit number 2.1 of the Form 8-K filed by Meadow Valley Corporation with the SEC on July 28, 2008)
- 4.2 Amendment to Rights Agreement, dated as of July 28, 2008, by and among Meadow Valley Corporation and Corporate Stock Transfer, Inc. (incorporated by reference to exhibit number 4.1 of the Form 8-K filed by Meadow Valley Corporation with the SEC on July 28, 2008)
- 31.1 Certification of Chief Executive Officer Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934
- 31.2 Certification of Chief Financial Officer Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934
- 32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEADOW VALLEY CORPORATION
(Registrant)

By /s/ Bradley E. Larson

Bradley E. Larson
President and Chief Executive
Officer
August 14, 2008

By /s/ David D. Doty

David D. Doty
Chief Financial Officer
August 14, 2008

33