

GOLDFIELD CORP
Form 10-Q
August 10, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

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: 1-7525

THE GOLDFIELD CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

88-0031580

(State or other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

1684 West Hibiscus Blvd., Melbourne, Florida, 32901

(Address of Principal Executive Offices)(Zip Code)

(321) 724-1700

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 1, 2006, 25,572,192 shares of the Registrant's common stock were outstanding.

THE GOLDFIELD CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED June 30, 2006

INDEX

	<u>Page Number</u>
<u>Part I.</u>	
<u>FINANCIAL INFORMATION</u>	
Item 1.	
<u>Financial Statements</u>	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Operations</u>	4
<u>Consolidated Statements of Cash Flows</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
Item 4.	
<u>Controls and Procedures</u>	25
<u>Part II.</u>	
<u>OTHER INFORMATION</u>	
Item 1	
<u>Legal Proceedings</u>	25
Item 1A.	
<u>Risk Factors</u>	25
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
Item 4.	
<u>Submission of Matters to a Vote of Security Holders</u>	26
Item 6.	
<u>Exhibits</u>	26
<u>Signatures</u>	27

Part I. FINANCIAL INFORMATION**Item 1. Financial Statements.**

THE GOLDFIELD CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,340,682	\$ 2,912,494
Restricted cash - discontinued operations (Note 5)		7,845
Accounts receivable and accrued billings, net of allowance for doubtful accounts of \$23,542 as of June 30, 2006 and December 31, 2005	6,927,609	6,443,563
Contracts receivable (Note 2)	6,236,391	10,529,004
Current portion of notes receivable	41,453	41,453
Construction inventory (Note 3)	481,363	
Costs and estimated earnings in excess of billings on uncompleted contracts	2,747,631	1,247,367
Deferred income taxes (Note 8)	537,700	928,700
Income taxes recoverable	15,355	951
Residential properties under construction (Note 4)	2,278,276	196,287
Prepaid expenses	661,961	401,348
Other current assets	18,994	15,234
Total current assets	24,287,415	22,724,246
Property, buildings and equipment, at cost, net of depreciation and amortization of \$12,792,124 as of June 30, 2006 and \$12,491,955 as of December 31, 2005	9,174,174	8,094,829
Notes receivable, less current portion	447,423	468,639
Deferred charges and other assets		
Land and land development costs (Note 4)	712,397	1,787,077
Cash surrender value of life insurance	311,204	320,784
Other assets	409,068	85,618
Total deferred charges and other assets	1,432,669	2,193,479
Total assets	\$ 35,341,681	\$ 33,481,193
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,624,916	\$ 3,988,650
Billings in excess of costs and estimated earnings on uncompleted contracts	27,694	51,575
Notes payable, due within one year (Note 6)	4,649,984	5,866,664
Capital leases, due within one year (Note 6)	218,396	
Federal and state income taxes payable (Note 8)	369,328	201,455
Current liabilities of discontinued operations (Note 5)	58,426	127,522
Total current liabilities	9,948,744	10,235,866
Deferred income taxes, noncurrent (Note 8)	845,400	845,400
Other accrued liabilities, non-current	16,107	
Notes payable, less current portion (Note 6)	216,666	917,292
Capital leases, less current portion (Note 6)	715,167	
Total liabilities	11,742,084	11,998,558

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Commitments and contingencies (Notes 6 and 7)		
Stockholders' equity		
Preferred stock, \$1 par value per share, 5,000,000 shares authorized, none issued		
Common stock, \$.10 par value per share, 40,000,000 shares authorized; 27,813,772 shares issued at June 30, 2006 and December 31, 2005	2,781,377	2,781,377
Capital surplus	18,481,683	18,481,683
Retained earnings	3,511,771	1,394,809
	<u>24,774,831</u>	<u>22,657,869</u>
Total	24,774,831	22,657,869
Less common stock in treasury, at cost; 2,241,580 shares at June 30, 2006 and December 31, 2005	1,175,234	1,175,234
	<u>23,599,597</u>	<u>21,482,635</u>
Total stockholders' equity	23,599,597	21,482,635
Total liabilities and stockholders' equity	\$ 35,341,681	\$ 33,481,193

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenue				
Electrical construction	\$ 11,186,323	\$ 5,284,372	\$ 21,678,328	\$ 12,384,688
Real estate development	1,046,540	4,186,580	4,549,487	5,317,737
Total revenue	12,232,863	9,470,952	26,227,815	17,702,425
Costs and expenses				
Electrical construction	8,460,325	4,335,895	16,583,534	10,253,467
Real estate development	827,489	2,475,035	3,148,918	3,167,487
Depreciation and amortization	628,120	635,047	1,227,411	1,260,778
Selling, general and administrative	819,774	1,062,377	1,918,129	1,813,156
Other (income) general expenses	(11,013)	9,069	(29,323)	10,555
Total costs and expenses	10,724,695	8,517,423	22,848,669	16,505,443
Total operating income	1,508,168	953,529	3,379,146	1,196,982
Other income (expenses), net				
Interest income	26,972	25,433	51,684	53,891
Interest expense, net	(62,965)	(33,475)	(99,957)	(66,460)
Other	110,128	4,136	113,622	6,024
Total other income (expenses), net	74,135	(3,906)	65,349	(6,545)
Income from continuing operations before income taxes	1,582,303	949,623	3,444,495	1,190,437
Income taxes (Note 8)	609,831	375,035	1,327,533	466,545
Income from continuing operations	972,472	574,588	2,116,962	723,892
Loss from discontinued operations (Note 5)		(1,776)		(14,528)
Net income	\$ 972,472	\$ 572,812	\$ 2,116,962	\$ 709,364
Earnings per share of common stock - basic and diluted (Note 9)				
Continuing operations	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.03
Discontinued operations				
Net income	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.03
Weighted average common shares and equivalents used in the calculations of earnings per share				
Basic	25,572,192	25,687,548	25,572,192	25,760,218
Diluted	25,572,192	25,721,118	25,572,192	25,793,798

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,	
	2006	2005
Cash flows from operating activities		
Net income from continuing operations	\$ 2,116,962	\$ 723,892
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	1,227,411	1,260,778
Deferred income taxes	391,000	441,971
(Gain) loss on sale of property and equipment	(29,323)	10,555
Changes in operating assets and liabilities		
Accounts receivable and accrued billings	(484,046)	204,579
Contracts receivable	4,292,613	(5,317,737)
Construction inventory	(481,363)	
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,500,264)	(171,044)
Land and land development costs	1,074,680	340,705
Residential properties under construction	(2,081,989)	(193,990)
Income taxes recoverable	(14,404)	10,715
Income taxes payable	167,873	
Prepaid expenses and other assets	(587,823)	(409,824)
Accounts payable and accrued liabilities	652,373	751,129
Billings in excess of costs and estimated earnings on uncompleted contracts	(23,881)	(308)
Net cash provided by (used in) operating activities of continuing operations	4,719,819	(2,348,579)
Net cash used in operating activities of discontinued operations	(61,251)	(43,881)
Net cash provided by (used in) operating activities	4,658,568	(2,392,460)
Cash flows from investing activities		
Proceeds from the disposal of property and equipment	136,735	66,031
Proceeds from notes receivable	21,216	20,092
Purchases of property and equipment	(1,438,503)	(1,579,001)
Cash surrender value of life insurance	9,580	5,752
Net cash used in investing activities	(1,270,972)	(1,487,126)
Cash flows from financing activities		
Proceeds from term debt	2,404,676	
Repayments on term debt	(520,534)	(433,334)
Net (repayments) borrowings under lines of credit	(3,843,550)	1,950,055
Purchase of treasury stock		(209,156)
Net cash (used in) provided by financing activities of continuing operations	(1,959,408)	1,307,565
Net increase (decrease) in cash and cash equivalents	1,428,188	(2,572,021)
Cash and cash equivalents at beginning of period	2,912,494	6,827,685
Cash and cash equivalents at end of period	\$ 4,340,682	\$ 4,255,664
Supplemental disclosure of cash flow information		
Interest paid, net of amount capitalized	\$ 88,333	\$ 55,483
Income taxes paid	783,064	5,094
Supplemental disclosure of non-cash flow information		

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Equipment acquired under capital leases	\$	975,665
See accompanying notes to consolidated financial statements		

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 1 - Basis of Financial Statement Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements include all adjustments necessary to present fairly the Company's financial position, results of operations and changes in cash flows for the interim periods reported. These adjustments are of a normal recurring nature. All financial statements presented herein are unaudited with the exception of the consolidated balance sheet as of December 31, 2005, which was derived from the audited consolidated financial statements. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. These statements should be read in conjunction with the financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2005.

Certain prior period amounts in the consolidated financial statements have been reclassified to conform to the current period presentation.

Note 2 - Contracts Receivable

Contracts receivable represents the amount of revenue recognized in the real estate segment using the percentage-of-completion method for condominium units under firm contract. As of June 30, 2006, outstanding contracts receivable amounted to \$6,236,391, of which \$4,178,640 is for our Pineapple House condominium project and \$2,057,751 is for our Oak Park condominium project. As of December 31, 2005, outstanding contracts receivable amounted to \$10,529,004, all of which was for our Oak Park project. As of June 30, 2006, \$2,457,870 in non-refundable earnest money deposits were held by a third party, \$2,242,940 for the Pineapple House project and \$214,930 for the Oak Park project as compared to \$3,382,875 as of December 31, 2005, \$2,195,450 for Pineapple House and \$1,187,425 for Oak Park.

The Company's real estate development operations do not extend financing to buyers and, therefore, sales proceeds are received in full upon closing.

Note 3 - Construction Inventory

Construction inventory, which consists of condominium construction materials, is stated at lower of cost or market.

Note 4 - Land and Land Development Costs and Residential Properties Under Construction

The costs of a land purchase and any development expenses up to the initial construction phase of any new condominium development project are recorded under the asset land and land development costs. Once construction commences, the costs of construction are recorded under the asset residential properties under construction. The assets land and land development costs and residential properties under construction relating to specific projects are recorded as current assets when the estimated project completion date is less than one year from the date of the consolidated financial statements, or as non-current assets when the estimated project completion date is more than one year from the date of the consolidated financial statements.

Note 5 - Discontinued Operations

On December 4, 2002, effective November 30, 2002, the Company completed the sale of the capital stock of its mining subsidiaries.

Commitments and Contingencies Related to Discontinued Operations

On September 8, 2003, the United States Environmental Protection Agency (the EPA) issued a special notice letter notifying the Company that it is a potentially responsible party (PRP), along with three other parties, with respect to investigation and removal activities at the Anderson-Calhoun Mine/Mill Site (the Site) in Stevens County, Washington, which the EPA may request that the Company, along with the other PRPs, perform or finance. Specifically, the EPA has requested that the Company and three other PRPs undertake, perform, and finance an Engineering Evaluation and Cost Analysis or EE/CA for the Site. The primary purpose of an EE/CA is to determine the nature and scope of contamination, evaluate risks, and identify and evaluate a range of possible clean up alternatives. The EPA retains the sole discretion to determine what, if any, clean up will ultimately be required based on the EE/CA.

The Company sold the Site property in 1964. The Company has investigated the historic operations that occurred at the Site as well as the nature and scope of environmental conditions at the Site that may present concerns to the EPA. Based upon its investigation to date, the Company has determined that its operations at the Site were primarily exploratory and that the Company never engaged in any milling or other processing activities at the Site. The Company's records reflect that between the years 1950 and 1952 it extracted a limited amount (111,670 tons) of surface ore from the Site for off-site processing. The Site has changed owners several times since it was sold by the Company, and the Company believes that a substantial majority of the mining activities and all of the milling and related processing and process waste disposal activities likely were conducted by subsequent owners.

The Company has entered into a Cost Sharing Agreement with two other PRPs (Combustion Engineering and Blue Tee Corp.) (collectively, the Work Group) through which the Work Group has agreed how to perform and finance the EE/CA. Pursuant to the Cost Sharing Agreement, the Work Group has agreed to share equally the costs of the EE/CA, subject to re-allocation of such costs among the Work Group after completion of the EE/CA. The Work Group has also entered into an Administrative Order on Consent (AOC) with the EPA, wherein the Work Group members have agreed to perform and finance the EE/CA. Field work and the EE/CA Report (addressing the characterization of environmental conditions at the Site) have been completed and submitted to the EPA. The Company expects that during late summer of 2006, the Work Group will develop and obtain approval for the final EE/CA Report and the EPA will decide whether additional response action (remediation) may be necessary at the Site and, if so, the Company would expect that such action would be taken during 2007.

Under the Comprehensive Environmental Response, Compensation and Liability Act, any of the PRPs may be jointly and severally liable to the EPA for the full amount of any response costs incurred by the EPA, including costs related to investigation and remediation, subject to a right of contribution from other PRPs. In practice, PRPs generally agree to perform such response activities, and negotiate among themselves to determine their respective contributions to any such multi-party activities based upon equitable allocation factors, including their respective contributions to the alleged contamination and their ability to pay.

It is impossible at this stage to estimate the total costs of investigation and remediation at the Site due to various factors, including incomplete information regarding the Site and the other PRPs, uncertainty regarding the extent of contamination and the Company's share, if any, of liability for the contamination, the EPA's future selection of clean up standards for the Site, and, ultimately, the EPA's selection of a preferred clean up remedy.

In September 2003, in accordance with Financial Accounting Standards Board Interpretation No. 14, Reasonable Estimation of the Amount of a Loss and an Interpretation of Statement of Financial Accounting Standards No. 5 (Accounting for Contingencies), and Statement of Position No. 96-1, Environmental Remediation Liabilities, the Company recognized a provision of \$210,976 (within discontinued operations) for this matter. In addition, this provision was increased by \$111,769 during the twelve month period ended December 31, 2004, and \$90,142 during the twelve month period ended December 31, 2005, increasing the total provision to \$412,887, which represents the current estimate of the Company's share of the costs associated with an emergency removal action previously undertaken by the EPA, the anticipated cost of the EE/CA study and the anticipated professional fees associated with the EE/CA study. There was no change to the provision recorded during the six months ended June 30, 2006. Total actual costs to be incurred at the Site in future periods may vary from this estimate, given inherent uncertainties in evaluating environmental costs. As of June 30, 2006, the Company incurred actual investigation and professional services costs of \$354,461 and its reserve balance for the EE/CA study process, future EE/CA oversight costs and estimated EPA response costs is \$58,426 (accrued as a current liability within discontinued operations). The accrual will be reviewed periodically based upon facts and circumstances available at the time, which could result in changes to its amount. The EPA has indicated that it has made no determination whether any additional response action (remediation) will be required at the Site and will not do so until after completion of the EE/CA process. At this stage, the Company does not have sufficient information to determine the potential extent and nature of any necessary future response action (remediation) at the Site, or to estimate the potential additional future cost of such action or the Company's potential liability for such costs. One of the Company's former general liability insurance carriers has accepted the defense of this matter and has agreed to pay costs of defense incurred to date, all subject to certain reservation of rights as to coverage. The Company cannot predict the extent to which its costs will ultimately be covered by insurance.

Assets and liabilities of the discontinued operations have been reflected in the accompanying consolidated balance sheets as follows:

	June 30, 2006 (unaudited)	December 31, 2005
Current assets		
Cash in escrow	\$	7,845
Total assets of discontinued operations	\$	7,845
Current liabilities		
Reserve for remediation	\$ 58,426	\$ 127,522
Total liabilities of discontinued operations	\$ 58,426	\$ 127,522

Note 6 - Notes Payable and Capital Leases **Notes Payable**

On August 26, 2005, the Company, the Company's wholly owned subsidiaries, Southeast Power Corporation (Southeast Power), Bayswater Development Corporation (Bayswater), Pineapple House of Brevard, Inc. (Pineapple House) and Oak Park of Brevard, Inc. (Oak Park) and Branch Banking and Trust Company (the Bank), entered into three loan agreements and a series of related ancillary agreements providing for: (1) a revolving line of credit loan for a maximum principal amount of \$1.0 million, which was subsequently increased to \$3.0 million by amendment dated March 14, 2006, to be used as a Working Capital Loan, (2) a revolving line of credit loan for a maximum principal amount of \$2.0 million to be used as an Equipment Loan and (3) a revolving line of credit for a maximum principal amount of \$6.0 million to be used as a Real Estate Loan .

The \$3.0 million Working Capital Loan will be used by the Company for working capital, capital expenditures and general corporate purposes. Under the terms of the agreement interest is payable monthly at an annual rate equal to Monthly LIBOR rate plus one and eight-tenths percent (6.93% and 6.11% as of June 30, 2006 and December 31, 2005, respectively). The maturity date of the loan is August 26, 2006. We expect to renew this loan at that time for an additional year. The loan is guaranteed by the Company and named subsidiaries and includes a cross default provision pursuant to which a default under the loan agreement constitutes a default with respect to all other indebtedness of the Company and named subsidiaries to the Bank and a default under any other loan agreement of the Company or any of the foregoing affiliates constitutes a default under the loan agreement. Borrowings outstanding under this agreement were \$1,156,450 as of June 30, 2006, all of which was repaid by July 31, 2006. As of December 31, 2005, there were no borrowings outstanding under this agreement. The loan agreement contains various financial covenants including, but not limited to, minimum tangible net worth, outside debt limitation, and maximum debt to tangible net worth ratio. Other loan covenants prohibit, among other things, incurring additional indebtedness, issuing loans to other entities in excess of a certain amount, entering into a merger or consolidation, and any change in the Company's current Chief Executive Officer without prior written consent from the lender. The Company was in compliance with all such covenants as of June 30, 2006.

The \$2.0 million Equipment Loan replaced an existing term loan with another bank. Future draws are at the request of the Company and the discretion of the Bank. Under the terms of the agreement principal plus interest are payable monthly in the amount of \$72,222 principal plus accrued interest. The interest is payable at an annual rate equal to Monthly LIBOR rate plus one and eight-tenths percent (6.93% and 6.11% as of June 30, 2006 and December 31, 2005, respectively). The maturity date of the loan is February 26, 2008. The loan is secured by the equipment purchased with the proceeds of the loan, and any replacements, accessions, or substitutions thereof and all cash and non-cash proceeds received thereof. Borrowings outstanding under this agreement were \$1,083,330 and \$1,516,662 as of June 30, 2006 and December 31, 2005, respectively. The loan agreement contains various financial covenants, including, but not limited to, minimum tangible net worth, outside debt limitations, and maximum debt to tangible net worth ratio. Other loan covenants prohibit, among other things, a change in fiscal year and any change in the Company's current Chief Executive Officer without prior written consent from the lender. The Company was in compliance with all such covenants as of June 30, 2006.

The \$6.0 million Real Estate Loan replaced an existing term loan with another bank. The proceeds of the Real Estate Loan will be used by the Company for financing the costs of certain qualified real estate projects in Florida. Under the terms of the agreement interest is payable monthly at an annual rate equal to the Monthly LIBOR rate plus one and eight-tenths percent (6.93% and 6.11% as of June 30, 2006 and December 31, 2005, respectively). The maturity date of the loan is August 26, 2006. We expect to renew this loan at that time for an additional year. All of the net proceeds from the sale of a qualified project shall first be applied against the principal balance due on the note until the note is satisfied in full. As security for the loan, the Company and the subsidiary of the Company which has legal title to the real property to be developed have agreed to execute an agreement not to encumber or transfer property with respect to the property to be developed. The loan is guaranteed by the Company and named subsidiaries and draws for all projects are not to exceed the total costs of all projects. As of June 30, 2006, there were no borrowings outstanding under this agreement. Borrowings outstanding under this agreement were \$5,000,000 as of December 31, 2005. The loan agreement contains various financial covenants including, but not limited to, minimum tangible net worth, outside debt limitation, and maximum debt to tangible net worth ratio. Other loan covenants prohibit, among other things, incurring additional indebtedness, issuing loans to other entities in excess of a certain amount, entering into a merger or consolidation, and any change in the Company's current Chief Executive Officer without prior written consent from the lender. The Company was in compliance with all such covenants as of June 30, 2006.

On November 18, 2005, the Company, the Company's wholly owned subsidiaries, Southeast Power, Bayswater, Pineapple House and Oak Park and the Bank, entered into a loan agreement and a series of related ancillary agreements for a revolving line of credit loan for a maximum principal amount of \$14.0 million to be used by Pineapple House to fund the construction of residential condominium units. Under the terms of the agreement interest is payable monthly at an annual rate equal to the Monthly LIBOR rate plus one and eighty-five one-hundredths percent (6.98% and 6.16% as of June 30, 2006 and December 31, 2005, respectively). The maturity date of the loan is November 18, 2007. At the Bank's option, the loan may be extended for two eighteen-month periods upon payment of a fee to the Bank in connection with each extension. These extensions do not necessarily provide for future advances, but solely for extension and preservation of the commitment related to the construction of a second and third building on the Pineapple House site. Borrowings outstanding under this agreement were \$2,626,870 and \$267,294 as of June 30, 2006 and December 31, 2005, respectively. The loan is secured by a Mortgage and Security Agreement. The loan agreement includes covenants and agreements that are customary for loan agreements of this type, and also provides that construction on the initial phase of the Pineapple House development must be completed by October 1, 2007. In addition, the loan agreement includes a cross default provision pursuant to which a default under the loan agreement constitutes a default with respect to all other indebtedness of the Company, Southeast Power, Bayswater, Pineapple House or Oak Park to the Bank and a default under any other loan agreement of the Company or any of the foregoing affiliates constitutes a default under the loan agreement. Pursuant to the loan agreement, the Company has agreed that \$1.0 million of the \$6.0 million Real Estate Loan will not be available to the Company until a specified level of progress with respect to the concrete structure has been achieved on the initial phase of Pineapple House. The Company was in compliance with all such covenants as of June 30, 2006.

On July 13, 2006, the Company, the Company's wholly owned subsidiary, Southeast Power and the Bank, entered into a loan agreement and other related ancillary agreements for a revolving line of credit loan for a maximum principal amount of \$3.5 million to be used by Southeast Power for durable equipment purchases. The Company agreed to guarantee Southeast Power's obligations under the loan agreement. Under the terms of the agreement interest is payable monthly at an annual rate equal to the Monthly LIBOR rate plus one and eight-tenths percent (6.93% and 6.11% as of June 30, 2006 and December 31, 2005, respectively). The maturity date of the loan is December 13, 2010. Southeast Power must make monthly payments of interest to the Bank in arrears on the principal balance outstanding until July 2007, and thereafter, Southeast Power must pay monthly installments of principal, in addition to interest on the principal balance outstanding, until maturity. The loan is secured by the grant of a continuing security interest in all equipment purchased with the proceeds of the loan, and any replacements, accessions, or substitutions thereof and all cash and non-cash proceeds thereof. The loan agreement includes covenants and agreements that are customary for loan agreements of this type. In addition, at the Bank's option, the Bank may treat any default in payment or performance by Southeast Power, the Company or any of their subsidiaries or affiliates under any other loans, contracts or agreements with the Bank or its affiliates as a default under this loan agreement.

Interest costs related to the construction of condominiums are capitalized. During the three month period ended June 30, 2006 and 2005, the Company capitalized interest costs of \$51,249 and \$12,996 respectively. During the six month periods ended June 30, 2006 and 2005, the Company capitalized interest costs of \$138,985 and \$13,864, respectively.

Capital Leases

The Company enters into non-cancelable capital leases for the acquisition of certain machinery and equipment needs. Under the current capital leases, ownership transfers to the Company at the end of the lease term. No restrictions are imposed by the lease agreements regarding additional debt or further leasing. As of June 30, 2006, the cost and accumulated depreciation of equipment under capital leases amounted to \$975,665 and \$25,891, respectively. As of December 31, 2005, there was no equipment under capital leases. Payments outstanding under this agreement were \$1,092,288 as of June 30, 2006. Depreciation for assets under capital leases is included in depreciation and amortization expenses.

The schedule of principal payments of our notes payable and capital leases as of June 30, 2006 is as follows:

2006	\$	1,806,039
2007		3,492,716
2008		260,753
2009		240,000
2010		159,430
		<hr/>
Total principal payments of debt		5,958,938
Less: Amount representing interest on capital leases		(158,725)
		<hr/>
Total net principal payments	\$	5,800,213
		<hr/>

Note 7 - Commitments and Contingencies
Operating Leases

The Company leases its principal office space under a seven-year non-cancelable operating lease and several off-site storage facilities, used to store equipment and materials, under a month to month lease arrangement. Within the provisions of our principal office lease, there are escalations in payments over the base lease term, as well as renewal periods. The effects of the escalations have been reflected in rent expense on a straight-line basis over the expected lease term. Our lease requires payment of property taxes, insurance and maintenance costs in addition to the rent payments.

Future minimum lease payments under operating leases having initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2006 are as follows:

2006	\$	69,503
2007		142,363
2008		143,272
2009		146,884
2010		151,802
Thereafter		196,438
		<hr/>
Total minimum operating lease payments	\$	850,262
		<hr/>

Performance Bonds

In certain circumstances, the Company is required to provide performance bonds to secure its contractual commitments. Management is not aware of any performance bonds issued for the Company that have ever been called by a customer. As of June 30, 2006, outstanding performance bonds issued on behalf of the Company's electrical construction subsidiary amounted to approximately \$10,010,000.

Note 8 - Income Taxes

At June 30, 2006, the Company had tax net operating loss (NOL) carryforwards of approximately \$330,000 available to offset future taxable income, which if unused will expire in 2024. The Company had alternative minimum tax (AMT) credit carryforwards of approximately \$266,000, which are available to reduce future federal income taxes over an indefinite period. The net deferred tax asset decreased from \$928,700 at December 31, 2005 to \$537,700 at June 30, 2006 due to the utilization of NOL and AMT credit carryforwards on an annualized basis. The net deferred tax liability of \$845,400 did not change for this same period. The minimum amount of future taxable income required to be generated to fully realize the deferred tax assets is approximately \$1,622,000.

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The following table presents our provision for income tax and effective income tax rate from continuing operations for the periods ended as indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006 (unaudited)	2005 (unaudited)	2006 (unaudited)	2005 (unaudited)
Income taxes	\$ 609,831	\$ 375,035	\$ 1,327,533	\$ 466,545
Effective income tax rate	38.5%	39.5%	38.5%	39.2%

The Company's effective tax rate for the three months ended June 30, 2006 was 38.5%. The effective tax rate differs from the federal statutory rate of 34% for the three months ended June 30, 2006, mainly due to state income taxes. The effective tax rate of 39.5% differs from the federal statutory rate for the three months ended June 30, 2005 largely due to state income taxes.

The Company's effective tax rate for the six months ended June 30, 2006 was 38.5%. This is the Company's expected tax rate for the year ending December 31, 2006, which was calculated based on the estimated annual operating results for the year. The effective tax rate differs from the federal statutory rate for the six months ended June 30, 2006, mainly due to state income taxes. The Company's effective tax rate for the six months ended June 30, 2005 was 39.2%. This was the Company's expected tax rate for the year ending December 31, 2005 which was calculated based on the estimated annual operating results for the year. The effective tax rate differs from the federal statutory rate for the six months ended June 30, 2005, largely due to state income taxes.

Note 9- Earnings Per Share of Common Stock and Stock Repurchase Plan

Basic earnings per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share include dilution from potential common stock equivalents, such as stock options outstanding. The following tables set forth the computation of basic and diluted earnings per share for the periods ended as indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006 (unaudited)	2005 (unaudited)	2006 (unaudited)	2005 (unaudited)
Continuing operations				
Income from continuing operations	\$ 972,472	\$ 574,588	\$ 2,116,962	\$ 723,892
Discontinued operations				
Loss from discontinued operations		(1,776)		(14,528)
Net income	\$ 972,472	\$ 572,812	\$ 2,116,962	\$ 709,364
Weighted average common shares outstanding	25,572,192	25,687,548	25,572,192	25,760,218
Earnings per share-basic				
Continuing operations	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.03
Discontinued operations				
Net income	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.03
Weighted average dilutive shares from stock option plan		33,570		33,580
Weighted average common shares outstanding including dilutive shares	25,572,192	25,721,118	25,572,192	25,793,798
Earnings per share-diluted				
Continuing operations	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.03
Discontinued operations				
Net income	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.03

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Since September 17, 2002, the Company has had a stock repurchase plan which, as last amended by the Board of Directors on May 25, 2006, permits the purchase of up to 3,500,000 shares until September 30, 2007. The Company may repurchase its shares either in the open market or through private transactions. The volume of the shares to be repurchased is contingent upon market conditions and other factors. The Company did not repurchase shares of its common stock during the six month period ended June 30, 2006. The total number of shares repurchased under the Repurchase Plan as of June 30, 2006, was 2,224,222 at a cost of \$1,156,513 (average cost of \$0.52 per share) and the remaining number of shares the Company is authorized to repurchase under the Repurchase Plan is 1,275,778. The Company currently holds the repurchased stock as Treasury Stock, reported at cost. Prior to September 17, 2002, the Company had 17,358 shares of Treasury Stock which it had purchased at a cost of \$18,720.

Note 10 - Business Segment Information

The Company is currently involved in two segments, electrical construction and real estate development. There were no material amounts of sales or transfers between segments and no material amounts of foreign sales. Any intersegment sales have been eliminated.

The following table sets forth certain segment information for the periods ended as indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006 (unaudited)	2005 (unaudited)	2006 (unaudited)	2005 (unaudited)
Continuing operations				
Revenues				
Electrical construction	\$ 11,186,323	\$ 5,284,372	\$ 21,678,328	\$ 12,384,688
Real estate development	1,046,540	4,186,580	4,549,487	5,317,737
Total revenues	12,232,863	9,470,952	26,227,815	17,702,425
Operating expenses				
Electrical construction	9,118,855	5,000,630	17,817,722	11,550,593
Real estate development	953,736	2,787,936	3,562,498	3,583,052
Corporate	652,104	728,857	1,468,449	1,371,798
Total operating expenses	10,724,695	8,517,423	22,848,669	16,505,443
Operating income				
Electrical construction	2,067,468	283,742	3,860,606	834,095
Real estate development	92,804	1,398,644	986,989	1,734,685
Corporate	(652,104)	(728,857)	(1,468,449)	(1,371,798)
Total operating income	1,508,168	953,529	3,379,146	1,196,982
Other income (expenses), net				
Electrical construction	(25,948)	(21,371)	(43,763)	(43,258)
Real estate development	105,882		105,882	1,107
Corporate	(5,799)	17,465	3,230	35,606
Total other income (expenses), net	74,135	(3,906)	65,349	(6,545)
Net income before taxes				
Electrical construction	2,041,520	262,371	3,816,843	790,837
Real estate development	198,686	1,398,644	1,092,871	1,735,792
Corporate	(657,903)	(711,392)	(1,465,219)	(1,336,192)
Total net income before taxes	\$ 1,582,303	\$ 949,623	\$ 3,444,495	\$ 1,190,437

Operating income is total operating revenue less operating expenses inclusive of depreciation and amortization, and selling, general and administrative expenses for each segment. Operating income excludes interest expense, interest income and income taxes. Corporate expenses are comprised of general and administrative expenses and corporate depreciation and amortization expenses.

The following table sets forth certain segment information as of the dates indicated:

	June 30, 2006 (unaudited)	December 31, 2005
Identifiable assets		
Electrical construction	\$ 21,821,734	\$ 17,130,082
Real estate development	10,039,288	12,741,299
Corporate	3,480,659	3,601,967
Discontinued operations		7,845
Total	\$ 35,341,681	\$ 33,481,193

Note 11 - The Goldfield Corporation 1998 Executive Long-term Incentive Plan

In 1998, the stockholders of the Company approved the 1998 Executive Long-term Incentive Plan (the Plan), which permits the granting of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares and other awards to all officers and key employees of the Company and its subsidiaries. Shares granted pursuant to the Plan may be authorized but unissued shares of Common Stock, treasury shares or shares purchased on the open market. The exercise price under such grants, if applicable, will be based on the fair market value of the Common Stock at the date of grant. The maximum number of shares available for grant under the Plan is 1,300,000. Any options granted under the Plan must be exercised within 10 years of the date of grant and are vested equally over a 3 year period. On March 9, 1999, the Company granted options to purchase 985,000 shares, exercisable at \$0.21875 per share, the fair market price of the Common Stock at the date of grant. No stock options were granted during the six month periods ended June 30, 2006 and 2005. As of June 30, 2006 and December 31, 2005 there were no options outstanding.

In December 2004, the FASB issued SFAS No. 123 (revised), Share-Based Payment (Revised 2004) (SFAS 123R) requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. The cost is to be measured based on the fair value of the equity or liability instruments issued. Originally, SFAS 123R required that companies adopt the provision of SFAS 123R as of the first interim or annual reporting period beginning after June 15, 2005. However, in April 2005, the Securities and Exchange Commission adopted a new rule which deferred the compliance date of SFAS 123R until 2006 for calendar year companies such as Goldfield. We implemented the provisions of SFAS 123R in the first quarter of fiscal 2006, and it did not have a material impact on our financial position, results of operations or cash flows.

Note 12 - Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including a decision whether to file or not to file in a particular jurisdiction. FIN 48 is effective for fiscal years beginning after December 15, 2006. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to retained earnings. The Company is currently evaluating the impact of FIN 48 on its consolidated financial position and results of operations.

In June 2006, the EITF reached a consensus on Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation) (EITF 06-3). EITF 06-3 requires the disclosure of the Company's accounting policy regarding its gross or net presentation of externally imposed taxes on revenue-producing transactions in the notes to the consolidated financial statements. EITF 06-3 is effective for the first annual or interim reporting period beginning after December 15, 2006. The Company is currently evaluating the impact of adopting EITF 06-3 on its consolidated financial statement disclosures.

Note 13 - Customer Concentration

A significant portion of our electrical construction revenue has historically been derived from two or three utility customers each year. For the three months ended June 30, 2006 and the six months ended June 30, 2006, our two largest customers accounted for approximately 80% and approximately 71%, respectively, of the Company's total revenue.

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

The Company's revenue from electrical construction operations increased approximately 75% for the six month period ending June 30, 2006 and increased approximately 112% for the three month period ended June 30, 2006 as compared to the same periods in the prior year. The increase in revenue for the three and six month period ended June 30, 2006 was primarily the result of an increase in the average number of projects under construction as well as an increase in the average contract value of projects under construction. Operating margins of our electrical construction operations increased to 17.8% for the six month period ending June 30, 2006 from 6.7% for the like period in 2005. Operating margins of our electrical construction operations increased to 18.5% for the three months ended June 30, 2006 from 5.4% for the like period in 2005. This improvement in operating margins for both periods was largely the result of a larger revenue base over which to spread fixed costs.

Revenues from our real estate development operations decreased by approximately 14.5% for the six month period ending June 30, 2006 and decreased approximately 75% for the three month period ending June 30, 2006 as compared to the same periods in 2005. The decrease in revenue for the six month period ended June 30, 2006 was mainly the result of three condominium unit sales contract cancellations due to buyer defaults within our Oak Park project as a result of a weaker condominium market in Florida. If the current weakness in the Florida condominium market continues, or if the market deteriorates further, this would have an adverse impact on the sales and pricing of our condominium units, and on the results of our real estate development operations. We cannot predict whether the Florida condominium market will improve, or when any such improvement may take place.

The decrease in revenue for the three month period ended June 30, 2006 was mainly the result of the level of units under contract, the dissimilar design, size, and stage of construction between the two projects, and the previously mentioned defaults within Oak Park, although it is impossible to quantify the individual effect of each of these factors. Operating margins as a percentage of revenue decreased to 21.7% for the six month period ending June 30, 2006 from 32.6% for the like period in 2005. The decrease in operating margins as a percentage of revenue for the six month period ending June 30, 2006 was mainly the result of reversing previously reported profits for the aforementioned defaults within Oak Park. Operating margins as a percentage of revenue decreased to 8.9% for the three months ended June 30, 2006 from 33.4% for the like period in 2005. The decrease in operating margins as a percentage of revenue for the three month period ended June 30, 2006 resulted from the same factors that led to a decrease in revenue for the period, as discussed above. Operating margins from real estate development operations vary due to the type and number of units under construction at any given time. Since we historically have had only one or two projects under construction at any given time, operating margins can vary significantly depending upon the cost of the underlying land, the type of construction, location of the project and general market conditions. In addition, our projects are generally completed in approximately one year, which also influences year-to-year operating margin comparisons.

Critical Accounting Policies and Estimates

This discussion and analysis of the Company's financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to fixed price electrical construction contracts, real estate development projects, deferred income tax assets and environmental remediation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company's management has discussed the selection and development of its critical accounting policies, estimates and related disclosure with the Audit Committee of the Board of Directors.

Percentage of Completion - Electrical Construction Segment

A number of factors relating to our electrical construction segment affect the recognition of contract revenue. The Company recognizes revenue from fixed price contracts using the percentage-of-completion method. Under this method, estimated contract income and resulting revenue is generally accrued based on costs incurred to date as a percentage of total estimated costs. Total estimated costs, and thus contract income, are impacted by several factors including, but not limited to, changes in productivity and scheduling, and the cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, site conditions that differ from those assumed in the original bid (to the extent contract remedies are unavailable), client needs, client delays in providing approvals, the availability and skill level of workers in the geographic location of the project, a change in the availability and proximity of materials and governmental regulation, may also affect the progress and estimated cost of a project's completion and thus the timing of income and revenue recognition.

The Company recognizes revenue from change orders, which are agreed modifications of contract terms, and from contract claims, which result from costs incurred by the Company outside the scope of a contract which have not been agreed upon or are in dispute, only when the revenue associated with the change order or claim can be reliably estimated and realization is probable. Historically, however, disputed amounts relating to electrical construction work have not been significant.

The accuracy of our revenue and profit recognition in a given period is almost solely dependent on the accuracy of our estimates of the cost to complete each project. Due to our experience and the detailed approach in determining our cost estimates for all of our significant projects we believe our estimates to be highly reliable. However, our projects can be complex and in almost every case the profit margin estimates for a project will either increase or decrease to some extent from the amount that was originally estimated at the time of bid. Because we have a number of projects of varying levels of complexity and size in process at any given time these changes in estimates can offset each other without materially impacting our overall profitability. If a current estimate of total costs indicates a loss on a contract, the projected loss is recognized in full when determined. There were no contract loss accruals recorded in the six month or three month periods ended June 30, 2006 or 2005.

Percentage of Completion Real Estate Development Segment

As of August 2002, commencing with our second condominium development project, all revenue associated with real estate development projects that meet the criteria specified by SFAS 66, Accounting for Sales of Real Estate, is recognized using the percentage-of-completion method. Under this method, revenue is recognized when (1) construction is beyond a preliminary stage, (2) a substantial percentage (at least one-third) of the condominiums are under firm, non-refundable contracts, except in the case of non-delivery of the unit or interest, (3) sufficient units have already been sold to assure that the entire property will not revert to rental property, consideration is given to the requirements of state laws, the condominium contract, and the terms of the financing agreements, (4) collection of the sales price is reasonably assured, (5) deposits equal or exceed 10% of the contract price, and (6) sales proceeds and costs can be reasonably estimated. The Company determines that construction is beyond a preliminary stage when engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and the building foundation is complete.

The Company believes that a material difference in total actual project costs versus total estimated project costs is unlikely due to the nature of the fixed price contracts we enter into with the general contractors on our real estate projects.

If a current estimate of total project costs indicates a loss on a project, the projected loss is recognized in full when determined. There were no contract loss accruals recorded during any of the six or three month periods ended June 2006 and 2005. The timing of revenue and expense recognition is contingent on construction productivity. Factors possibly impeding construction productivity include, but are not limited to, supply of labor, materials and equipment, scheduling, weather, permitting and unforeseen events.

If a buyer were to default on the contract for sale, revenues and expenses recognized in prior periods would be adjusted in the period of default.

Deferred Tax Assets

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance for deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the deferred tax assets are expected to be recovered or settled. If the Company determines that it would not be able to realize all or part of its deferred tax assets, a valuation allowance would be recorded to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company were to subsequently determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the previously recorded valuation allowance would increase income in the period such determination was made.

As of June 30, 2006, our deferred tax assets were largely comprised of net operating loss (NOL) carryforwards which will expire in 2024 and alternative minimum tax (AMT) credit carryforwards which are available to reduce future federal income taxes over an indefinite period, as described in note 8 of the notes to the consolidated financial statements contained herein. Based on historical experience and assumptions with respect to forecasts of future taxable income and tax planning, among others, the Company anticipates being able to generate sufficient taxable income to utilize the NOL carryforwards prior to their expiration date and the AMT credit carryforwards which have no expiration date. Therefore, the Company has not recorded a valuation allowance against the deferred tax assets. The minimum amount of future taxable income required to be generated to fully realize the deferred tax asset is approximately \$1,622,000.

Provision for Remediation

In September 2003, the Company was notified by the United States Environmental Protection Agency (the EPA) that it is a potentially responsible party (a PRP) with respect to possible investigation and removal activities at a mine that it had formerly owned. Refer to note 5 of notes to the consolidated financial statements in this Form 10-Q for a discussion of this matter.

In September 2003, in accordance with Financial Accounting Standards Board Interpretation No. 14, Reasonable Estimation of the Amount of a Loss an Interpretation of Statement of Financial Accounting Standards No. 5 (Accounting for Contingencies) , and Statement of Position 96-1, Environmental Remediation Liabilities , the Company recognized a provision of \$210,976 (within discontinued operations) for this matter. In addition, this provision was increased by \$111,769 during the twelve months ended December 31, 2004 and \$90,142 during the twelve month period ended December 31, 2005, increasing the total provision to \$412,887. There was no change to the provision recorded during the six months ended June 30, 2006. Total actual remediation costs to be incurred in future periods may vary from this estimate, given inherent uncertainties in evaluating environmental costs.

The Company has entered into a Cost Sharing Agreement with two other PRPs (Combustion Engineering and Blue Tee Corp.) (collectively, the Work Group) through which the Work Group has agreed how to perform and finance the EE/CA. Pursuant to the Cost Sharing Agreement, the Work Group has agreed to share equally the costs of the EE/CA, subject to re-allocation of such costs among the Work Group after completion of the EE/CA. The Work Group has also entered into an Administrative Order on Consent (AOC) with the EPA, wherein the Work Group members have agreed to perform and finance the EE/CA. Field work and the EE/CA Report (addressing the characterization of environmental conditions at the Site) have been completed and submitted to the EPA. The Company expects that during late summer of 2006, the Work Group will develop and obtain approval for the final EE/CA Report and the EPA will decide whether additional response action (remediation) may be necessary at the Site and, if so, the Company would expect that such action would be taken during 2007.

Results of Operations

SIX MONTHS ENDED JUNE 30, 2006 COMPARED TO SIX MONTHS ENDED JUNE 30, 2005

Segment Information

The table below is a reconciliation of the Company's operating income attributable to each of its segments for the six months ended June 30 as indicated:

	2006 (unaudited)	2005 (unaudited)
	<u> </u>	<u> </u>
Electrical construction		
Revenue	\$ 21,678,328	\$ 12,384,688
Operating expenses		
Cost of goods sold	16,583,534	10,253,467
Depreciation	1,143,959	1,208,447
SG&A	114,649	79,639
Other general (income) expenses	(24,420)	9,040
	<u> </u>	<u> </u>
Total operating expenses	17,817,722	11,550,593
	<u> </u>	<u> </u>
Operating income	\$ 3,860,606	\$ 834,095
	<u> </u>	<u> </u>
Real estate development		
Revenue	\$ 4,549,487	\$ 5,317,737
Operating expenses		
Cost		