Orion Marine Group Inc
Form S-1/A
December 19, 2007

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As filed with the Securities and Exchange Commission on December 19, 2007
Registration No. 333-145588

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Pre-Effective Amendment No. 5
to
Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ORION MARINE GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**1600**	**26-0097459**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code)*	*(I.R.S. Employer Identification Number)*

12550 Fuqua
Houston, Texas 77034
(713) 852-6500
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive officers)

J. Michael Pearson
President and Chief Executive Officer
12550 Fuqua, Houston, Texas 77034
(713) 852-6500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies Requested to:

Kyle K. Fox, Esq.
Vinson & Elkins LLP
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2801 Via Fortuna, Suite 100
Austin, Texas 78746
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box. þ

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities many not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 19, 2007

PROSPECTUS

20,949,196 Shares
Common Stock

Orion Marine Group, Inc. is a leading marine specialty contractor serving the heavy civil marine infrastructure market. We provide a broad range of marine construction and specialty services on, over and under the water along the Gulf Coast, the Atlantic Seaboard and the Caribbean Basin. We serve as general contractor on substantially all of our projects, self-perform in excess of 85% of our work and provide our services almost exclusively on a fixed-cost basis to both government and private industry clients.

This prospectus relates to up to 20,949,196 shares of our common stock which may be offered for sale by the selling shareholders named in this prospectus. The selling shareholders acquired the shares of common stock offered by this prospectus in private equity placements. We are registering the offer and sale of the shares of common stock to satisfy registration rights we have granted.

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of common stock by the selling shareholders. The shares of common stock to which this prospectus relates may be offered and sold from time to time directly by the selling shareholders or alternatively through underwriters or broker dealers or agents. Please read Plan of Distribution.

There is no current market for our common stock. We have applied to list our common stock on the Nasdaq Global Market under the symbol OMGI. Based on the range of prices at which our shares have traded on the PORTAL Market, prior to the time our common stock is quoted on the Nasdaq Global Market, purchases and sales of our common stock will occur at prices between $14.05 and $15.00 per share, if any shares are sold. Following the date of this prospectus, we anticipate that our shares will be listed on Nasdaq and that the selling shareholders may sell all or a portion of their shares from time to time in market transactions, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the prevailing market price or at negotiated prices.

Investing in our common stock involves risks. You should read the section entitled Risk Factors beginning on page 10 for a discussion of certain risk factors that you should consider before investing in our common stock.

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

the contrary is a criminal offense.

The date of this prospectus is , 2007.

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You should rely on information contained in this prospectus or in any related free writing prospectus filed with the Securities and Exchange Commission and used or referred to in an offering to you of these securities. Neither we nor the selling shareholders have authorized anyone to provide you with different information. The shareholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

NOTICE TO INVESTORS

Restrictions on Foreign Ownership

Certain U.S. maritime laws, including the Foreign Dredge Act of 1906, 46 U.S.C. section 55109, as amended (the Dredging Act), the Merchant Marine Act of 1920, 46 U.S.C. section 55101, et seq., as amended (the Jones Act), the Shipping Act of 1916, 46 U.S.C. section 50501, as amended (the Shipping Act) and the U.S. vessel documentation laws set forth in 46 U.S.C. section 12101, et seq., as amended (the Vessel Documentation Act), prohibit foreign ownership or control of persons engaged in transporting merchandise or passengers or dredging in the navigable waters of the U.S. A corporation is considered to be foreign owned or controlled if, among other things, 25% or more of the ownership or voting interests with respect to its equity stock is held by non-U.S. citizens. If we should fail to comply with such requirements, our vessels would lose their eligibility to engage in coastwise trade or dredging activities within U.S. domestic waters. To facilitate our compliance, our organizational documents:

- limit ownership by non-U.S. citizens of any class or series of our capital stock (including our common stock) to 23%;
- permit us to withhold dividends and suspend voting rights with respect to any shares held by non-U.S. citizens;
- permit us to establish and maintain a dual stock certificate system under which different forms of certificates may be used to reflect whether the owner is a U.S. citizen;
- permit us to redeem any shares held by non-U.S. citizens so that our foreign ownership is less than 23%; and
- permit us to take measures to ascertain ownership of our stock.

You may be required to certify whether you are a U.S. citizen before purchasing or transferring our common stock. If you or a proposed transferee cannot make such certification, or a sale of stock to you or a transfer of your stock would result in the ownership by non-U.S. citizens of 23% or more of our common stock, you may not be allowed to purchase or transfer our common stock. All certificates representing the shares of our common stock will bear legends referring to the foregoing restrictions.

MARKET DATA

Market data used in this prospectus has been obtained from independent industry sources and publications as well as from research reports prepared for other purposes. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus, but it does not contain all of the information that you may consider important in making your investment decision. Therefore, you should read the entire prospectus carefully, including, in particular, the Risk Factors section beginning on page 10 of this prospectus and the financial statements and related notes included elsewhere in this prospectus. As used in this prospectus, unless the context otherwise requires or indicates, references to Orion, the company, we, our, and us refer to Or Marine Group, Inc. and its subsidiaries taken as a whole.

About Orion

We are a leading marine specialty contractor serving the heavy civil marine infrastructure market. We provide a broad range of marine construction services on, over and under the water along the Gulf Coast, the Atlantic Seaboard and the Caribbean Basin. Our customers are federal, state and municipal governments as well as private commercial and industrial enterprises. We are headquartered in Houston, Texas.

We act as a single-source, turnkey solution for our customers marine contracting needs. Our heavy civil marine construction services include marine transportation facility construction, dredging, repair and maintenance, bridge building and marine pipeline construction, as well as specialty services. Our specialty services include salvage, demolition, diving and underwater inspection, excavation and repair. While we bid on projects up to $50.0 million, during 2006 our average revenue per project was between $1.0 million and $3.0 million. Projects we bid on can take up to 36 months to complete, but the typical duration of our projects is from three to nine months. In 2006, we provided 99% of our services under fixed-price contracts, measured by revenue, and we self-performed over 85% of our work, measured by cost.

We focus on selecting the right projects on which to work, controlling the critical path items of a contract by self-performing most of the work, managing the profitability of a contract by recognizing change order opportunities and rewarding project managers for outperforming the estimated costs to complete projects. We use state-of-the-art, scalable enterprise-wide project management software to integrate functions such as estimating project costs, managing financial reporting and forecasting profitability.

Our revenue grew from $101.4 million in 2003 to $183.3 million in 2006, a compounded annual growth rate (CAGR) of 21.8%, substantially all of which was organic. During that same period, our EBITDA grew from $15.3 million in 2003 to $33.0 million in 2006, a CAGR of 29.2%, and our income available to common shareholders increased from $4.9 million in 2003 to $10.3 million in 2006, a CAGR of 28.1%. For an explanation of EBITDA and a reconciliation of EBITDA to net income calculated and presented in accordance with generally accepted accounting principles, or GAAP, please see Summary Consolidated Financial Data Non-GAAP Financial Measures.

Our growth has been driven by our ability to capitalize on increased infrastructure spending in our markets across our scope of operations. This increased spending has caused shortages of specialized equipment and labor, creating a favorable bidding environment for heavy civil marine projects. We believe that the demand for our infrastructure services has been, and will continue to be, driven and funded primarily by a wide variety of factors and sources including the following:

- increasing North American freight capacity / port and channel expansion and maintenance;
- deteriorating conditions of U.S. intracoastal waterways and bridges;

historic federal transportation funding bill;

robust cruise industry activity;

continuing U.S. base realignment and closure program;

strong oil and gas capital expenditures;

ongoing U.S. coastal and wetland restoration and reclamation; and

recurring hurricane restoration and repair.

We believe the diversity of industry drivers and funding sources that affect our market as well as our ability to provide a broad range of services result in a less volatile revenue stream year-to-year.

At September 30, 2007, our backlog under contract was approximately $115.9 million, compared with $80.3 million at September 30, 2006. Given the typical duration of our contracts, which ranges from three to nine months, our backlog at any point in time usually represents only a portion of the revenue that we expect to realize during a twelve month period. In addition to our backlog, we also have a substantial number of projects in negotiation or pending award at any given time. At September 30, 2007, we were in negotiation or pending award for approximately $30.4 million in new contracts we expect to be awarded; however, there can be no assurances that the negotiations will be successful or that these contracts will be executed and added to backlog. We expect to continue to grow our business organically, as well as selectively consider strategic acquisitions that improve our market position within our existing markets, expand our geographic footprint and increase our portfolio of services.

As of September 30, 2007, we employed a workforce of 893 people, many of whom occupy highly skilled positions. None of our employees are members of a union. Our workforce is supported by a large fleet of specialty equipment, substantially all of which we own. We have built much of our most highly specialized equipment, including many of our dayboats, tenders and dredges, and we provide maintenance and repair service to our entire fleet. Our fleet is highly mobile, which enables us to easily relocate our specialized equipment to and across all of the regions that we serve.

On May 31, 2007, we completed a private placement of 20,949,196 shares of our common stock at a sale price of $13.50 per share to qualified institutional buyers, non-U.S. persons and accredited investors (the 2007 Private Placement). The registration statement of which this prospectus is a part is being filed pursuant to the requirements of the registration rights agreement that we executed in connection with the 2007 Private Placement. We received net proceeds of approximately $261.5 million (after purchaser s discount and placement fees) from the 2007 Private Placement. We used approximately $242.0 million of the net proceeds to purchase and retire all of our outstanding preferred stock and 16,053,816 shares of our common stock from our former principal stockholders. The remaining net proceeds of $19.5 million from the 2007 Private Placement were and are being used for working capital and general corporate purposes. In connection with the 2007 Private Placement, we entered into employment agreements and transaction bonus agreements with our executive officers and certain key employees. Under the agreements, we granted an aggregate of 26,426 shares of common stock, granted options to acquire an aggregate of 327,357 shares of common stock, and made an aggregate of $2.2 million in cash payments.

History

We were founded in 1994 as a marine construction project management business. Initially, we performed work along the continental U.S. coastline, as well as in Alaska, Hawaii and the Caribbean Basin, and our revenue grew to $14.4 million in 1996.

To improve our financial and competitive position, we decided in 1997 to expand beyond the project management business by establishing fixed geographic operating bases. Between 1997 and 2003 we invested approximately $30.0 million in four acquisitions to broaden our operating capabilities and geographic footprint, and our revenue grew to $101.4 million in 2003.

In October 2004, we were acquired by Orion Marine Group, Inc., formerly known as Hunter Acquisition Corp., a corporation formed and controlled by our former principal stockholders. Our former principal stockholders provided incremental financial and strategic resources necessary for our continued success, including implementing stock based compensation, transitioning senior leadership and establishing standardization of systems and more scalable internal systems, such as project control systems.

In September 2006, we acquired the assets of F. Miller Construction, based in Lake Charles, Louisiana, to serve as a platform for expansion within Louisiana and other Gulf Coast markets. F. Miller Construction was originally founded in 1932 and performs specialty marine construction projects, bridge construction projects, and complex sheet pile installations for both government and private industry customers.

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Competitive Strengths

We believe we have the following competitive strengths:

Breadth of Capabilities. Unlike many of our competitors, we provide a broad range of marine construction services for our customers. These services include marine transportation facility construction, dredging, repair and maintenance, bridge building and marine pipeline construction, as well as specialty services. Our specialty services include salvage, demolition, diving and underwater inspection, excavation and repair. By offering a breadth of services, we act as a single-source provider with a turnkey solution for our customers marine contracting needs. We believe this distinguishes us from smaller, local competitors, giving us an advantage in competitive bidding for certain projects. Furthermore, we believe our broad service offering and ability to complete smaller projects strengthens our relationships with our customers.

Experienced Management Team. Our executive officers and senior project managers have an average of 28 years of experience in the heavy civil construction industry, an average of 26 years of experience in the heavy civil marine infrastructure industry and an average of 18 years of experience with us and our predecessor companies. Our strong management team has driven operational excellence for us, as demonstrated by our high organic growth, disciplined bidding process and what we believe to be leading industry margins. We believe our management has fostered a culture of loyalty, resulting in high employee retention rates.

High Quality Fleet and Marine Maintenance Facilities. Our fleet, substantially all of which we own, consists of over 260 vessels of specialized equipment, including 55 spud barges and material barges, five major cutter suction dredges, three portable dredges, and 49 tug boats and push boats. In addition, we have over 215 cranes and other large pieces of equipment, including 48 crawler cranes and hydraulic cranes, as well as numerous pieces of smaller equipment.

We are capable of building, and have built, much of our highly specialized equipment and we provide maintenance and repair service to our entire fleet. For example, we recently manufactured our newest dredge, which can operate on either diesel fuel or electric power, allowing us to complete projects with specified limits on nitrogen oxide (NOX) emissions, an increasingly common specification on our projects. Because some of our equipment operates 24 hours a day, seven days a week, it is essential that we are able to minimize equipment downtime. We strive to minimize downtime by operating our own electrical, mechanical and machine shops, stocking long-lead spares and staffing maintenance teams on-call 24 hours a day, seven days a week to handle repair emergencies. We also own and maintain dry dock facilities, which reduce our equipment downtime and dependence on third party facilities. Our primary field offices in Channelview, Texas, Port Lavaca, Texas, and Tampa, Florida, are all located on waterfront properties and allow us to perform repair and maintenance activities on our equipment and to mobilize and demobilize equipment to and from our projects in a cost efficient manner.

Financial Strength /Conservative Balance Sheet. Financial strength is often an important consideration for many customers in selecting infrastructure contractors and directly affects our bonding capacity. In 2006, approximately 69% of our projects, measured by revenue, required some form of bonding. As of December 31, 2006, we had cash on hand of $18.6 million and senior debt of $25.0 million, resulting in a net debt position of $6.4 million. Most of our competitors are smaller, local companies with limited bonding capacity. We believe our financial strength and bonding capacity allow us to bid multiple projects and larger projects that most of our competitors may not be able to bond.

Self-Performance of Contracts. In 2006, we self-performed over 85% of our marine construction and dredging projects, measured by cost. By self-performing our contracts, we believe we can more effectively manage the costs and quality of each of our projects, thereby better serving our customers and increasing our profitability. Our breadth of capabilities and our high quality fleet give us the ability to self-perform our contracts, which we believe distinguishes us from many of our competitors, who will often subcontract significant portions of their projects.

Project Selection and Bidding Expertise. Our roots as a project management business have served us well, creating a project management culture that is pervasive throughout our organization. We focus on selecting the right projects on which to bid, controlling the critical path items of a contract by self-performing the work and managing the contract profitably by appropriately structuring rewards for project managers and recognizing change order opportunities, which generally allow us to increase revenue and realize higher margins on a project. Our intense focus on profitably executing contracts has resulted in only a small number of unprofitable contracts since our founding. We use state-of-the-art, scalable enterprise-wide project management software to integrate functions such as estimating project costs, managing financial reporting and forecasting profitability.

Strong Regional Presence. We are a market leader in most of our primary markets. We believe our operations are strategically located to benefit from favorable industry trends, including increasing port expansion and maintenance, highway funding, oil and gas expenditures, coastal restoration and hurricane restoration and repair activity. For example, the Port of Houston, one of the largest ports in the U.S., and the Port of Tampa and their adjacent private industry customers generate both new marine construction and annual maintenance of existing dock facilities. In addition, the Texas Gulf Coast does not have any natural deep water ports, requiring all of its channels and ports to depend significantly on maintenance dredging, which is a significant source of recurring revenue. Our strong regional presence allows us to more efficiently deploy and mobilize our equipment throughout the areas in which we operate.

Growth Strategy

We intend to use the following strategies to increase revenue:

Expand and Fill in Our Service Territory. We intend to continue to grow our business by seeking opportunities in other geographic markets by establishing a physical presence in new areas through selective acquisitions or greenfield expansions. Over the last several years, we have successfully expanded our services into Florida, the Caribbean Basin and Louisiana through strategic acquisitions. We have also pursued greenfield growth opportunities on the Atlantic Seaboard by opening a Jacksonville, Florida office and on the Gulf Coast by opening a Corpus Christi, Texas office. We believe that the establishment of a geographic base improves our returns within a given market, reducing mobilization and demobilization costs, improving and increasing capacity utilization and improving work force economics and morale. We focus on establishing bases in markets with solid, long-term fundamentals. In particular, in the near-term we intend to establish additional operating bases in two geographic regions: along the Gulf Coast between Texas and Florida and along the Atlantic Seaboard, working north from Florida to the Chesapeake Bay. In the longer term, we intend to establish a presence in the Mississippi River System, on the West Coast of the U.S. and on the New England Coast of the U.S.

Pursue Strategic Acquisitions. We intend to evaluate acquisition opportunities in parallel with our greenfield expansion. Our strategy will include timely and efficient integration of such acquisitions into our culture, bidding process and internal controls. We believe that attractive acquisition candidates are available due to the highly fragmented and regional nature of the industry, high cost of capital for equipment and the desire for liquidity among an aging group of existing business owners. We believe our financial strength, industry expertise and experienced management team will be attractive to acquisition candidates.

Continue to Capitalize on Favorable Long-Term Industry Trends. Our growth has been driven by our ability to capitalize on increased infrastructure spending across the multiple end-markets we serve including port infrastructure, government funded projects, transportation, oil and gas, and environmental restoration markets. We believe these long-term industry trends, described in more detail in Business Industry Overview, have significantly contributed to the funding and demand for our infrastructure services. This increased spending has caused shortages of specialized equipment and labor, creating a favorable bidding environment for heavy civil marine projects. We believe we are well-positioned to continue to benefit from these long-term industry trends.

Continue to Enhance Our Operating Capabilities. Since our inception, we have focused on pursuing technically complex projects where our specialized services and equipment differentiate us from our competitors. Our breadth of services and ability to self-perform a high percentage of our projects has enabled us to better and more cost-effectively serve our customers needs. We intend to continue to enhance our operating capabilities across all of our present and future markets in order to better serve our customers and further differentiate ourselves from our competitors.

Risk Factors

You should carefully consider all of the information contained in this prospectus prior to investing in the common stock. In particular, we urge you to carefully consider the information set forth under Risk Factors beginning on page 10 for a discussion of risks and uncertainties relating to our business and an investment in our common stock.

Third quarter

Our revenue for the third quarter ended September 30, 2007 was $60.0 million, and we generated net income of $5.8 million, or $0.26 per diluted share, and EBITDA of $12.2 million. This compares with revenues of $47.8 million, net income of $3.5 million, or $0.22 per diluted share, and EBITDA of $9.7 million in the comparable period of 2006.

Quarterly results are subject to fluctuation and are not indicative of results that may be expected for the full year.

Corporate Information

We were founded in 1994. We are a Delaware corporation. On October 14, 2004, we were acquired by Orion Marine Group, Inc., formerly known as Hunter Acquisition Corp., a corporation formed and controlled by our former principal stockholders. In May 2007, substantially all of our current stockholders purchased our stock in the 2007 Private Placement. Our principal executive offices are located at 12550 Fuqua, Houston, Texas 77034. Our website is www.orionmarinegroup.com, and our main telephone number is (713) 852-6500.

Recent Developments

Mike Pearson, Orion Marine Group s President and Chief Executive Officer, said, The Company s successful financial performance reflects our continuing commitment to achieve strong revenue growth while we monitor our projects for opportunities to enhance productivity and improve performance.

With regard to the Company s goals, Mr. Pearson said, Our goal is to become the leading heavy civil marine contractor in the United States. We intend to meet this goal by growing our business through a combination of organic growth, greenfield expansion, and acquisitions. Our goal is to grow an average of 15% per year while maintaining an average EBITDA margin of 18%. We believe that our full year 2007 growth and EBITDA margins will be consistent with our long-term targets.

Mark Stauffer, the Company s Chief Financial Officer, said, Our goal for 2008 anticipates continued growth of 14% to 16%, while achieving EBITDA margins of 17% to 19%. We expect to invest approximately $12 to $14 million in capital assets in 2008 to support our growth strategy.

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THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus. For a more detailed description of the common stock, see Description of Capital Stock.

Common stock offered by selling shareholders(1)	20,949,196 shares
Common stock outstanding after the offering	21,565,324 shares
Dividend policy	We do not anticipate paying cash dividends on shares of our common stock for the foreseeable future.
Use of proceeds	We will not receive any of the proceeds from the sale of the shares of common stock by the selling shareholders.
Listing and Trading	We have applied to list our common stock on the Nasdaq Global Market under the symbol OMGI.
Risk factors	For a discussion of factors you should consider in making an investment, see Risk Factors beginning on page 10.

(1) See Selling Shareholders for more information on the selling shareholders. Currently represents all outstanding shares of our common stock except for 26,426 shares of our common stock granted to certain of our executive officers and key employees in May 2007 and 589,702 shares of our common stock granted to certain of our executive officers and key employees pursuant to our 2005 Stock Incentive Plan.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our summary consolidated financial information for the periods represented. The financial data as of and for each of the three years in the period ended December 31, 2006 has been derived from our audited consolidated financial statements and notes thereto, which have been audited by Grant Thornton LLP. The financial data as of and for the two years in the period ended December 31, 2003 has been derived from the audited consolidated financial statements and notes thereto of Orion Marine Group Holdings Inc., our parent entity prior to the 2004 acquisition. The share and per share financial data presented below has been adjusted to give effect to the 2.23 for one reverse split of our common stock that we effected on May 17, 2007 in connection with the 2007 Private Placement.

On October 14, 2004, we were acquired by Orion Marine Group, Inc., formerly known as Hunter Acquisition Corp., a corporation formed and controlled by our former principal stockholders. For accounting purposes, our company as it existed until the time we were acquired by Hunter Acquisition Corp. is referred to as our Predecessor and our company as it has existed since the acquisition is referred to as our Successor. Concurrent with the acquisition and in accordance with GAAP, we wrote up the value of our assets to their current market value (as determined by appraisals for certain of our assets, such as equipment and land) at the time of the transaction. The result of this write up increased the book value of our assets and the associated depreciation expense. Therefore, depreciation expense for our Predecessor was less than depreciation expense for our Successor. Additionally, certain expenses related to the maintenance and repair of our equipment and other items directly attributable to contract revenues were classified as selling, general and administrative expenses and other (income) loss for each of the two years in the period ended December 31, 2003. Beginning January 1, 2004 through December 31, 2006, these same expenses were classified as cost of contract revenues. Consequently, the cost of contract revenues, selling, general, and administrative expenses, and other (income) loss for each of the two years ended December 31, 2003 are not comparable to the cost of contract revenues, selling, general, and administrative expenses, and other (income) loss for the periods beginning January 1, 2004 through December 31, 2006.

Historical results are not necessarily indicative of results we expect in future periods. The data presented below should be read in conjunction with, and are qualified in their entirety by reference to, Capitalization, Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

The following table includes the non-GAAP financial measure of EBITDA. For a definition of EBITDA and a reconciliation to net income calculated and presented in accordance with GAAP, please see Non-GAAP Financial Measures.

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	Predecessor				Successor			
	Year Ended December 31,		January 1 to October 13	October 14 to December 31,	Year Ended December 31,		Nine Months Ended September 30,	
	2002	2003	2004	2004	2005	2006	2006 (Unaudited)	200 (Unaud
	(In thousands, except for share and per share data)							
ent of tions Data:								
ct revenues	$ 106,793	$ 101,369	$ 97,989	$ 32,570	$ 167,315	$ 183,278	$ 129,917	$ 14
f contract es	80,149	77,354	79,185	30,065	145,740	144,741	105,565	11
rofit	26,644	24,015	18,804	2,505	21,575	38,537	24,352	3
, general and strative es	15,478	16,376	7,752	1,611	10,685	18,225	9,550	1
ng income	11,166	7,639	11,052	894	10,890	20,312	14,802	1
t expense, net	310	282	24	446	2,179	1,755	1,368	
income) loss,	(605)	(1,030)	(52)	(237)	(405)	(886)	32	
before taxes	11,461	8,387	11,080	685	9,116	19,443	13,402	1
tax expense	4,621	3,508	4,378	266	3,805	7,040	4,874	
ome	6,840	4,879	6,702	419	5,311	12,403	8,528	1
ed dividends				460	2,100	2,100	1,571	
(loss) le to common olders	$ 6,840	$ 4,879	$ 6,702	$ (41)	$ 3,211	$ 10,303	$ 6,957	$ 1
ed Per on Share):								
ome per share								
	$ 74.35	$ 50.25	$ 69.02	$	$ 0.20	$ 0.65	$ 0.44	$
.	$ 74.35	$ 50.25	$ 69.02		$ 0.20	$ 0.63	$ 0.42	$
ed average outstanding								
	92,000	97,100	97,100	15,695,067	15,706,960	15,872,360	15,832,362	18,63
.	92,000	97,100	97,100	15,695,067	16,135,211	16,407,250	16,432,013	19,27
Financial								
A(1)	$ 17,550	$ 15,318	$ 16,544	$ 3,091	$ 22,331	$ 33,003	$ 23,504	$ 2

expenditures	5,003	7,044	8,407	2,383	9,149	11,931	9,849	
terest expense	325	282	150	263	2,146	3,453	1,876	
iation and d financing nortization	5,779	6,649	5,440	1,960	11,036	11,805	8,734	
h provided by ng activities	11,900	15,591	8,193	3,262	11,618	32,475	25,406	
h (used in) ng activities	(14,273)	(6,809)	(6,634)	(61,654)	(5,431)	(11,987)	(10,097)	(
h provided by n) financing es	4,682	(5,476)	(1,055)	66,094	(6,244)	(9,572)	(3,630)	(

	Predecessor		Successor			
			As of December 31,			As of September 30,
	2002	2003	2004	2005	2006	2007 (Unaudited)
			(In thousands)			
Balance Sheet Data:						
Cash and cash equivalents	$ 5,114	$ 8,420	$ 7,701	$ 7,645	$ 18,561	$ 14,420
Working capital	6,478	7,775	11,475	14,729	12,970	28,254
Total assets	54,448	53,711	113,739	114,626	125,072	129,677
Total debt	11,556	5,965	40,489	34,548	25,000	1,643
Total stockholders equity	27,045	32,039	35,419	40,730	53,239	84,372

(1) For an explanation of EBITDA and a reconciliation of EBITDA to net income calculated and presented in accordance with generally accepted accounting principles, or GAAP, please see Non-GAAP Financial Measures.

(2) The share and per share financial data presented for successor periods have been adjusted to give effect to the 2.23 for one reverse split of our common stock that we effected on May 17, 2007 in connection with the 2007 Private Placement. The substantial difference in weighted average shares between the Predecessor and Successor Periods results from the acquisition of our company by our former principal stockholders.

Non-GAAP Financial Measures

We include in this prospectus the non-GAAP financial measure of EBITDA. We define EBITDA as net income before interest, income taxes, depreciation and amortization. EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements such as investors, commercial banks and others, to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
- our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

EBITDA is not a presentation made in accordance with GAAP. EBITDA should not be considered an alternative to, or more meaningful than, net income, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP as measures of operating performance, liquidity or ability to service debt obligations. Because EBITDA excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies. EBITDA has important limitations as an analytical tool, and you should not consider it in isolation.

The following table provides a reconciliation of EBITDA to our net income for the periods indicated as calculated and presented in accordance with GAAP:

	Predecessor			Successor				
	Year Ended December 31, 2002	Year Ended December 31, 2003	January 1 to October 13 2004	October 14 to December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Nine Months Ended September 30, 2006 (Unaudited)	Nine Months Ended September 30, 2007 (Unaudited)
	(In thousands)							
Net income	$ 6,840	$ 4,879	$ 6,702	$ 419	$ 5,311	$ 12,403	$ 8,528	$ 11,329

Income tax expense	4,621	3,508	4,378	266	3,805	7,040	4,874	6,834
Interest expense, net	310	282	24	446	2,179	1,755	1,368	136
Deferred financing cost			24	41	171	171	129	150
Depreciation and amortization	5,779	6,649	5,416	1,919	10,865	11,634	8,605	9,342
EBITDA	$ 17,550	$ 15,318	$ 16,544	$ 3,091	$ 22,331	$ 33,003	$ 23,504	$ 27,791

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RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information set forth in this prospectus before deciding to invest in our common stock. If any of the following risks actually occur, our business, financial condition and results of operations could be harmed and we may not be able to achieve our goals. If that occurs, the value of our common stock could decline and you could lose some or all of your investment.

Risk Factors Relating to Our Business

We may be unable to obtain sufficient bonding capacity for our contracts and the need for performance and surety bonds may adversely affect our business.

We are generally required to post bonds in connection with our contracts to ensure job completion if we were to fail to finish a project. During the year ended December 31, 2006, approximately 69% of our projects, measured by revenue, required us to post a bond. We have entered into a bonding agreement with Liberty Mutual Surety of America (Liberty) pursuant to which Liberty acts as surety, issues bid bonds, performance bonds and payment bonds, and obligates itself upon other contracts of guaranty required by us in the day-to-day operations of our business. However, Liberty is not obligated under the bonding agreement to issue bonds for us. We may not be able to maintain a sufficient level of bonding capacity in the future, which could preclude us from being able to bid for certain contracts and successfully contract with certain customers, or increase our letter of credit utilization in lieu of bonds, thereby reducing availability under our credit facility. In addition, the conditions of the bonding market may change, increasing our costs of bonding or restricting our ability to get new bonding which could have a material adverse effect on our business, operating results and financial condition.

Our business depends on key customer relationships and our reputation in the heavy civil marine infrastructure market, which is developed and maintained by our key project managers. Loss of any of our relationships, reputation or key project managers would materially reduce our revenues and profits.

Our contracts are typically entered into on a project-by-project basis, so we do not have continuing contractual commitments with our customers beyond the terms of the current contract. We benefit from key relationships with certain general and construction contractors in the heavy civil marine infrastructure industry. We also benefit from our reputation in the heavy civil marine infrastructure market developed over years of successfully performing on projects. Both of these aspects of our business were developed and are maintained through our chief executives and key project managers. We do not maintain key person life insurance policies on any of our employees. Our inability to retain our chief executives and key project managers would have a material adverse affect on our current customer relationships and reputation. The inability to maintain relationships with these customers or obtain new customers based on our reputation could have a material adverse effect on our business, operating results and financial condition.

To be successful, we need to attract and retain qualified personnel, and any inability to do so would adversely affect our business.

Our future success depends on our ability to attract, retain and motivate highly skilled personnel in various areas, including engineering, project management, procurement, project controls, finance and senior management. If we do not succeed in retaining and motivating our current employees and attracting new high quality employees, our business could be adversely affected. Accordingly, our ability to increase our productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. Many companies in our industry are currently experiencing shortages of qualified personnel, and we may not be able to maintain an adequate skilled labor force necessary to operate efficiently. Our labor expenses may also increase as a result of a shortage in the supply of skilled personnel, or we may have to curtail our planned internal growth as a result of labor shortages. We may also spend considerable resources training employees who may then be hired by our competitors, forcing us to spend additional funds to attract personnel to fill those positions. In addition, certain of our employees hold licenses and permits under which we operate. The loss of any such employees could result in our inability to operate under such licenses and permits, which could adversely affect our operations until replacement licenses or permits are obtained. If we are unable to hire and retain qualified personnel in the future, there could be a material adverse effect on our business, operating results or financial condition.

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We could lose money if we fail to accurately estimate our costs or fail to execute within our cost estimates on fixed-price, lump-sum contracts.

Most of our net revenue is derived from fixed-price, lump-sum contracts. Under these contracts, we perform our services and execute our projects at a fixed price and, as a result, benefit from cost savings, but we may be unable to recover any cost overruns. Fixed-price contracts carry inherent risks, including risks of losses from underestimating costs, operational difficulties and other changes that may occur over the contract period. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, we may incur losses or the project may not be as profitable as we expected. In addition, we are sometimes required to incur costs in connection with modifications to a contract (change orders) that may be unapproved by the customer as to scope and/or price, or to incur unanticipated costs, including costs for customer-caused delays, errors in specifications or designs, or contract termination, that we may not be able to recover. These, in turn, could have a material adverse effect on our business, operating results and financial condition. The revenue, cost and gross profit realized on such contracts can vary, sometimes substantially, from the original projections due to changes in a variety of factors, such as:

- failure to properly estimate costs of engineering, material, equipment or labor;
- unanticipated technical problems with the structures or services being supplied by us, which may require that we spend our own money to remedy the problem;
- project modifications creating unanticipated costs;
- changes in the costs of equipment, materials, labor or subcontractors;
- our suppliers or subcontractors failure to perform;
- difficulties in our customers obtaining required governmental permits or approvals;
- changes in local laws and regulations;
- delays caused by local weather conditions; and
- exacerbation of any one or more of these factors as projects grow in size and complexity.

These risks increase if the duration of the project is long-term because there is an elevated risk that the circumstances upon which we based our original bid will change in a manner that increases costs. In addition, we sometimes bear the risk of delays caused by unexpected conditions or events.

We may incur higher costs to acquire, manufacture and maintain equipment necessary for our operations.

We have traditionally owned most of the equipment used in our projects, and we do not bid on contracts for which we do not have, or cannot quickly procure, whether through construction, acquisition or lease, the necessary equipment. We are capable of building much of the specialized equipment used in our projects, including dayboats, tenders and dredges. To the extent that we are unable to buy or build equipment necessary for our needs, either due to a lack of available funding or equipment shortages in the marketplace, we may be forced to rent equipment on a short-term basis, which could increase the costs of completing contracts. In addition, our equipment requires continuous maintenance, which we provide through our own repair facilities and dry docks, as well as certification by the U.S. Coast Guard. If we are unable to continue to maintain the equipment in our fleet or unable to obtain the requisite certifications, we may be forced to obtain third-party repair services or unable to use our uncertified equipment or be unable to bid on contracts, which could have a material adverse effect on our business, operating results and financial condition.

In addition, our vessels may be subject to arrest/seizure by claimants as security for maritime torts committed by the vessel or us or the failure by us to pay for necessaries, including fuel and repair services, which were furnished to the vessel. Such arrest/seizure could preclude the vessel from working, thereby causing delays in marine construction projects.

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The timing of new contracts may result in unpredictable fluctuations in our cash flow and profitability. These factors as well as others that may cause our actual financial results to vary from any publicly disclosed earnings guidance and forecasts are outside of our control.

A substantial portion of our revenues is derived from project-based work. It is generally very difficult to predict the timing and location of awarded contracts. The selection of, timing of or failure to obtain projects, delays in awards of projects, the rebidding or termination of projects due to budget overruns, cancellations of projects or delays in completion of contracts could result in the under-utilization of our assets and reduce our cash flows. Even if we are awarded contracts, we face additional risks that could affect whether, or when, work will begin. For example, some of our contracts are subject to financing and other contingencies that may delay or result in termination of projects. This can present difficulty in matching workforce size and equipment location with contract needs. In some cases, we may be required to bear the cost of a ready workforce and equipment that is larger than necessary, resulting in unpredictability in our cash flow, expenses and profitability. If an expected contract award or the related work release is delayed or not received, we could incur substantial costs without receipt of any corresponding revenues. Delays by our customers in obtaining required approvals for their infrastructure projects may delay their awarding contracts for those projects and, once awarded, the ability to commence construction under those contracts. Moreover, construction projects for which our services are contracted may require significant expenditures by us prior to receipt of relevant payments by a customer and may expose us to potential credit risk if such customer should encounter financial difficulties. Such expenditures could reduce our cash flows and necessitate increased borrowings under our credit facilities. Finally, the winding down or completion of work on significant projects that were active in previous periods will reduce our revenue and earnings if such significant projects have not been replaced in the current period. From time-to-time we may publicly provide earnings or other forms of guidance, which reflect our predictions about future revenue, operating costs and capital structure, among other factors. These numerous assumptions may be impacted by these factors as well as others that are beyond our control and might not turn out to be correct.

We depend on continued federal, state and local government funding for marine infrastructure. A reduction in government funding for marine construction or maintenance contracts can materially reduce our results of operations.

For the year ended December 31, 2006, approximately 72% of our revenue was attributable to contracts with federal, state or local agencies or with companies operating under contracts with federal, state or local agencies. Our operations depend on project funding by various government agencies and are adversely affected by decreased levels of, or delays in, government funding. A substantial portion of our business depends on federal funding of the Army Corps of Engineers (the Corps of Engineers), which declined in 2003 and 2004. A future decrease in government funding in any of our geographic markets could result in intense competition and pricing pressures for projects that we bid on in the future. As a result of competitive bidding and pricing pressures, we may be awarded fewer projects, which could have a material adverse effect on our business, operating results and financial condition.

A significant portion of our business is based on government contracts. Our operating results may be adversely affected by the terms of the government contracts or our failure to comply with applicable terms.

Government contracts are subject to specific procurement regulations, contract provisions and a variety of socioeconomic requirements relating to their formation, administration, performance and accounting. Many of these contracts include express or implied certifications of compliance with applicable laws and contract provisions. As a result of our government contracting and subcontracting, claims for civil or criminal fraud may be brought by the government for violations of these regulations, requirements or statutes. We may also be subject to qui tam litigation brought by private individuals on behalf of the government under the Federal Civil False Claims Act, which could include claims for up to treble damages. Further, if we fail to comply with any of these regulations, requirements or statutes, our existing government contracts could be terminated, we could be suspended from government contracting or subcontracting, including federally funded projects at the state level. In addition, government customers typically can terminate or modify any of their contracts with us at their convenience, and certain government agencies may claim immunity from suit to recover disputed contract amounts. If our government contracts are terminated for any reason, or if we are suspended from government work, we could suffer a significant reduction in expected revenue which could have a material adverse effect on our business, operating results and financial condition.

We derive a significant portion of our revenues from a small group of customers. The loss of one or more of these customers could negatively impact our business, operating results and financial condition.

Our customer base is highly concentrated. Our top five customers accounted for approximately 59%, 50% and 56% of our revenues for fiscal 2006, 2005 and 2004, respectively. We have three customers that represented greater than 10% of revenues for fiscal 2006, two customers for fiscal 2005 and two customers for fiscal 2004.

We believe that we will continue to rely on a relatively small group of customers for a substantial portion of our revenues for the foreseeable future. We may not be able to maintain our relationships with our significant customers. The loss of, or reduction of our sales to, any of our major customers could have a material adverse effect on our business, operating results and financial condition. See Business Customers for a description of our largest customers.

We may not be able to fully realize the revenue value reported in our backlog.

We had a backlog of work to be completed on contracts totaling approximately $115.9 million as of September 30, 2007. Backlog develops as a result of new awards, which represent the revenue value of new project commitments received by us during a given period. Backlog consists of projects which have either (a) not yet been started or (b) are in progress but are not yet complete. In the latter case, the revenue value reported in backlog is the remaining value associated with work that has not yet been completed. We cannot guarantee that the revenue projected in our backlog will be realized, or if realized, will result in earnings. From time-to-time, projects are cancelled that appeared to have a high certainty of going forward at the time they were recorded as new awards. In the event of a project cancellation, we may be reimbursed for certain costs but typically have no contractual right to the total revenue reflected in our backlog. In addition to being unable to recover certain direct costs, cancelled projects may also result in additional unrecoverable costs due to the resulting under-utilization of our assets.

Our business is subject to significant operating risks and hazards that could result in damage or destruction to persons or property, which could result in losses or liabilities to us.

The businesses of marine infrastructure construction, port maintenance, dredging and salvage are generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, adverse weather conditions, collisions with fixed objects, cave-ins, encountering unusual or unexpected geological formations, disruption of transportation services and flooding. These risks could result in damage to, or destruction of, dredges, transportation vessels, other maritime structures and buildings, and could also result in personal injury or death, environmental damage, performance delays, monetary losses or legal liability.

Our safety record is an important consideration for our customers. If serious accidents or fatalities occur or our safety record were to deteriorate, we may be ineligible to bid on certain work, and existing service arrangements could be terminated. Further, regulatory changes implemented by OSHA or the U.S. Coast Guard could impose additional costs on us. Adverse experience with hazards and claims could have a negative effect on our reputation with our existing or potential new customers and our prospects for future work.

Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates, or at all.

We maintain various insurance policies, including general liability and workers compensation. We partially self-insure risks covered by our workers compensation policy and our employee health care plan. We are not required to, and do not, specifically set aside funds for our self-insurance programs. At any given time, we are subject to multiple workers compensation and personal injury claims. We maintain substantial loss accruals for workers compensation claims, and our workers compensation and insurance costs have been rising for several years notwithstanding our emphasis on safety. Our insurance policies may not be adequate to protect us from liabilities that we incur in our business. In addition, some of the projects that we bid on require us to maintain builder s risk insurance at high levels. We may not be able to obtain similar levels of insurance on reasonable terms,

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or at all. Our inability to obtain such insurance coverage at acceptable rates or at all could have a material adverse effect on our business, operating results and financial condition.

Furthermore, due to a variety of factors such as increases in claims and projected significant increases in medical costs and wages, our insurance premiums may increase in the future and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any such inadequacy of, or inability to obtain, insurance coverage at acceptable rates, or at all, could have a material adverse effect on our business, operating results and financial condition.

Our employees are covered by federal laws that may provide seagoing employees remedies for job-related claims in addition to those provided by state laws.

Many of our employees are covered by federal maritime law, including provisions of the Jones Act, the Longshore and Harbor Workers Act and the Seaman s Wage Act. These laws typically operate to make liability limits established by state workers compensation laws inapplicable to these employees and to permit these employees and their representatives to pursue actions against employers for job-related injuries in federal courts. Because we are not generally protected by the limits imposed by state workers compensation statutes, we have greater exposure for claims made by these employees as compared to employers whose employees are not covered by these provisions.

For example, in the normal course of business, we are party to various personal injury lawsuits. We maintain insurance to cover claims that arise from injuries to our hourly workforce subject to a deductible. Over the last year, there has been an increase in suits filed in Texas. In fiscal 2006, $1.7 million was recorded for our self-insured portion of these liabilities. While our recorded self insurance reserves represent our best estimate of the outcomes of these claims, should these trends persist, we could continue to be negatively impacted in the future. See Note 9, Commitments and Contingencies in the Notes to the Consolidated Financial Statements contained elsewhere in this prospectus.

Many of our contracts have penalties for late completion.

In some instances, including many of our fixed-price contracts, we guarantee that we will complete a project by a scheduled date. If we subsequently fail to complete the project as scheduled, we may be held responsible for cost impacts resulting from any delay, generally in the form of contractually agreed-upon liquidated damages. In addition, failure to maintain a required schedule could cause us to default on our government contracts, giving rise to a variety of potential damages. To the extent that these events occur, the total costs of the project could exceed our original estimates and we could experience reduced profits or, in some cases, a loss for that project.

We may choose, or be required, to pay our suppliers and subcontractors even if our customers do not pay, or delay paying, us for the related services.

We use suppliers to obtain necessary materials and subcontractors to perform portions of our services and to manage work flow. In some cases, we pay our suppliers and subcontractors before our customers pay us for the related services. If we choose, or are required, to pay our suppliers and subcontractors for materials purchased and work performed for customers who fail to pay, or delay paying, us for the related work, we could experience a material adverse effect on our business, operating results and financial condition.

We extend credit to customers for purchases of our services, and in the past we have had, and in the future we may have, difficulty collecting receivables from major customers that have filed bankruptcy or are otherwise experiencing financial difficulties.

We generally perform services in advance of payment for our customers, which include governmental entities, general contractors, and builders, owners and managers of marine and port facilities located primarily in the Gulf Coast, the Atlantic Seaboard and the Caribbean Basin. Consequently, we are subject to potential credit risk related to changes in business and economic factors. On occasion, we have had difficulty collecting from governmental entities or customers with financial difficulties. If we cannot collect receivables for present or future services, we could experience reduced cash flows and losses beyond our established reserves.

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Our strategy of growing through strategic acquisitions may not be successful.

We may pursue growth through the acquisition of companies or assets that will enable us to broaden the types of projects we execute and also expand into new markets. We have completed several acquisitions and plan to consider strategic acquisitions in the future. We may be unable to implement this growth strategy if we cannot identify suitable companies or assets or reach agreement on potential strategic acquisitions on acceptable terms. Moreover, an acquisition involves certain risks, including:

- difficulties in the integration of operations, systems, policies and procedures;
- enhancements in our controls and procedures including those necessary for a public company may make it more difficult to integrate operations and systems;
- failure to implement proper overall business controls, including those required to support our growth, resulting in inconsistent operating and financial practices at companies we acquire or have acquired;
- termination of relationships by the key personnel and customers of an acquired company;
- additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls;
- the incurrence of environmental and other liabilities, including liabilities arising from the operation of an acquired business or asset prior to our acquisition for which we are not indemnified or for which the indemnity is inadequate;
- disruption of our ongoing business or receipt of insufficient management attention; and
- inability to realize the cost savings or other financial benefits that we anticipate.

Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in additional goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

The anticipated investment in port and marine infrastructure may not be as large as expected, which may result in periods of low demand for our services.

The demand for port construction, maintenance infrastructure services and dredging may be vulnerable to downturns in the economy generally and in the marine transportation industry specifically. The amount of capital expenditures on port facilities and marine infrastructure in our markets is affected by the actual and anticipated shipping and vessel needs of the economy in general and in our geographic markets in particular. If the general level of economic activity deteriorates, our customers may delay or cancel expansions, upgrades, maintenance and repairs to their infrastructure. A number of other factors, including the financial condition of the industry, could adversely affect our customers and their ability or willingness to fund capital expenditures in the future. During downturns in the U.S. or world economies, the anticipated port usage in our geographic markets may decline resulting in less port construction, upgrading and maintenance. As a result, demand for our services could substantially decline for extended periods.

Any adverse change to the economy or business environment in the regions in which we operate could significantly affect our operations, which would lead to lower revenues and reduced profitability.

Our operations are currently concentrated in the Gulf Coast, the Atlantic Seaboard and the Caribbean Basin. Because of this concentration in a specific geographic location, we are susceptible to fluctuations in our business caused by adverse economic or other conditions in this region, including natural or other disasters.

During the ordinary course of our business, we may become subject to lawsuits or indemnity claims, which could materially and adversely affect our business, operating results and financial condition.

We have been and may from time-to-time be named as a defendant in legal actions claiming damages in connection with marine infrastructure projects and other matters. These are typically claims that arise in the normal course of business, including employment-related claims and contractual disputes or claims for personal injury (including asbestos-related lawsuits) or property damage which occur in connection with services performed relating to project or construction sites. These actions may seek, among other things, compensation for alleged personal injury, workers compensation, employment discrimination, breach of contract, property damage, environmental damage, punitive damages, civil penalties or other losses, consequential damages or injunctive or declaratory relief. Contractual disputes normally involve claims relating to the timely completion of projects, performance of equipment, design or other engineering services or project services. Management does not currently believe that pending contractual, employment-related personal injury or property damage claims will have a material adverse effect on business, operating results or financial condition; however, such claims could have such an effect in the future. We may incur liabilities that may not be covered by insurance policies, or, if covered, the dollar amount of such liabilities may exceed our policy limits or fall below applicable deductibles. A partially or completely uninsured claim, if successful and of significant magnitude, could cause us to suffer a significant loss and reduce cash available for our operations.

Furthermore, our services are integral to the operation and performance of the marine infrastructure. As a result, we may become subject to lawsuits or claims for any failure of the infrastructure that we work on, even if our services are not the cause for such failures. In addition, we may incur civil and criminal liabilities to the extent that our services contributed to any property damage or personal injury. With respect to such lawsuits, claims, proceedings and indemnities, we have and will accrue reserves in accordance with generally accepted accounting principles. In the event that such actions or indemnities are ultimately resolved unfavorably at amounts exceeding our accrued reserves, or at material amounts, the outcome could materially and adversely affect our reputation, business, operating results and financial condition. In addition, payments of significant amounts, even if reserved, could adversely affect our liquidity position.

We are currently engaged in litigation related to claims arising from Hurricane Katrina. See Business Legal Proceedings.

Our operations are subject to environmental laws and regulations that may expose us to significant costs and liabilities.

Our marine infrastructure construction, salvage, demolition, dredging and dredge material disposal activities are subject to stringent and complex federal, state and local environmental laws and regulations, including those concerning air emissions, water quality, solid waste management, and protection of certain marine and bird species, their habitats, and wetlands. We may incur substantial costs in order to conduct our operations in compliance with these laws and regulations. For instance, we may be required to obtain and maintain permits and other approvals issued by various federal, state and local governmental authorities; limit or prevent releases of materials from our operations in accordance with these permits and approvals; and install pollution control equipment. In addition, compliance with environmental laws and regulations can delay or prevent our performance of a particular project and increase related project costs. Moreover, new, stricter environmental laws, regulations or enforcement policies could be implemented that significantly increase our compliance costs, or require us to adopt more costly methods of operation.

Failure to comply with environmental laws and regulations, or the permits issued under them, may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of injunctions limiting or preventing some or all of our operations. In addition, strict joint and several liability may be imposed under certain environmental laws, which could cause us to become liable for the investigation or remediation of environmental contamination that resulted from the conduct of others or from our own actions that were in compliance with all applicable laws at the time those actions were taken. Further, it is possible that we may be exposed to liability due to releases of pollutants, or other environmental impacts that may arise in the course of our operations. For instance, some of the work we perform is in underground and water environments, and if the field location maps or waterway charts supplied to us are not accurate, or if objects are present in the soil or water that are not indicated on the field location maps or waterway charts, our underground and underwater work could strike objects in the soil or the waterway bottom containing pollutants and result in a rupture and discharge of pollutants. In addition, we sometimes perform directional drilling operations below certain environmentally sensitive terrains and water bodies, and due to the inconsistent nature of the terrain and water bodies, it is possible that such directional drilling may cause a surface fracture releasing subsurface materials. These releases may contain contaminants in excess of amounts permitted by law, may expose us to remediation costs and fines and legal actions by private parties seeking damages for non-compliance with environmental laws and regulations or for personal injury or property damage. We may not be able to recover some or any of these costs through insurance or increased revenues, which may have a material adverse effect on our business, operating results and financial condition. See Business Environmental Matters for more information.

Our operations are susceptible to adverse weather conditions in our regions of operation.

Our business, operating results and financial condition could be materially and adversely affected by severe weather, particularly along the Gulf Coast, the Atlantic Seaboard and Caribbean Basin where we have operations. Repercussions of severe weather conditions may include:

- evacuation of personnel and curtailment of services;
- weather-related damage to our equipment, facilities and project work sites resulting in suspension of operations;
- inability to deliver materials to jobsites in accordance with contract schedules; and
- loss of productivity.

Our dependence on petroleum-based products could increase our costs which would adversely affect our business, operating results and financial condition.

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

Terrorist attacks at port facilities could negatively impact the markets in which we operate.

Terrorist attacks, like those that occurred on September 11, 2001, targeted at ports, marine facilities or shipping could affect the markets in which we operate, our business and our expectations. Increased armed hostilities, terrorist attacks or responses from the U.S. may lead to further acts of terrorism and civil disturbances in the U.S. or elsewhere, which may further contribute to economic instability in the U.S. These attacks or armed conflicts may affect our operations or those of our customers or suppliers and could impact our revenues, our production capability and our ability to complete contracts in a timely manner.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs.

We have a non-union workforce. If our employees unionize, it could result in demands that may increase our operating expenses and adversely affect our profitability. Each of our different employee groups could unionize at any time and would require separate collective bargaining agreements. If any group of our employees were to unionize and we were unable to agree on the terms of their collective bargaining agreement or we were to experience widespread employee dissatisfaction, we could be subject to work slowdowns or stoppages. In addition, we may be subject to disruptions by organized labor groups protesting our non-union status. Any of these events would be disruptive to our operations and could have a material adverse effect on our business, operating results and financial condition.

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

Our revenue has grown rapidly in recent years. Our revenue increased by 9.6% from $167.3 million in 2005 to $183.3 million in 2006. However, we may be unable to sustain our recent revenue growth rate for a variety of reasons, including limits on additional growth in our current markets, less success in competitive bidding for contracts, limitations on access to necessary working capital and investment capital to sustain growth, limitations on access to bonding to support increased contracts and operations, the inability to hire and retain essential personnel and to acquire equipment to support growth, and the inability to identify acquisition candidates and successfully integrate them into our business. A decline in our revenue growth could have a material adverse effect on our business, operating results and financial condition if we are unable to reduce the growth of our operating expenses at the same rate.

We are subject to risks related to our international operations.

Approximately 10% of our revenue in 2006 was derived from international markets and we hope to expand the volume of the services that we provide internationally. We presently conduct projects in the Caribbean Basin. International operations subject us to additional risks, including:

- uncertainties concerning import and export license requirements, tariffs and other trade barriers;
- restrictions on repatriating foreign profits back to the U.S.;
- changes in foreign policies and regulatory requirements;
- difficulties in staffing and managing international operations;
- taxation issues;
- currency fluctuations; and
- political, cultural and economic uncertainties.

These risks could restrict our ability to provide services to international customers and could have a material adverse effect on our business, operating results and financial condition.

Restrictions on foreign ownership of our vessels could limit our ability to sell off any portion of our business or result in the forfeiture of our vessels or in our inability to continue our operations in U.S. navigable waters.

The Dredging Act, the Jones Act, the Shipping Act and the Vessel Documentation Act require vessels engaged in the transport of merchandise or passengers between two points in the U.S. or dredging in the navigable waters of the U.S. to be owned and controlled by U.S. citizens. The U.S. citizen ownership and control standards require the vessel-owning entity to be at least 75% U.S. citizen-owned, thus restricting foreign ownership interests in the entities that directly or indirectly own the vessels which we operate. If we were to seek to sell any portion of our business unit that owns any of these vessels, we may have fewer potential purchasers, since some potential purchasers might be unable or unwilling to satisfy the foreign ownership restrictions described above; additionally, any sales of certain of our larger vessels to foreign buyers would be subject to approval by the U.S. Maritime Administration. As a result, the sales price for that portion of our business may not attain the amount that could be obtained in an unregulated market. Furthermore, although our certificate of incorporation contains provisions limiting ownership of our capital stock by non-U.S. citizens, foreign ownership is difficult to track and if we or any operating subsidiaries cease to be 75%

controlled and owned by U.S. citizens, we would become ineligible to continue our operations in U.S. navigable waters and may become subject to penalties and risk forfeiture of our vessels.

Risk Factors Related to our Accounting, Financial Results and Financing Plans

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

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

Our use of the percentage-of-completion method of accounting could result in a reduction or reversal of previously recorded revenue and profit.

In particular, as is more fully discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies, we recognize contract revenue using the percentage-of-completion method. A significant portion of our work is performed on a fixed-price or lump-sum basis. The balance of our work is performed on variations of cost reimbursable and target price approaches. Contract revenue is accrued based on the percentage that actual costs-to-date bear to total estimated costs. We utilize this cost-to-cost approach as we believe this method is less subjective than relying on assessments of physical progress. We follow the guidance of the American Institute of Certified Public Accountants (AICPA) Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*, for accounting policies relating to our use of the percentage-of-completion method, estimating costs, revenue recognition, combining and segmenting contracts and unapproved change order/claim recognition. Under the cost-to-cost approach, while the most widely recognized method used for percentage-of-completion accounting, the use of estimated cost to complete each contract is a significant variable in the process of determining income earned and is a significant factor in the accounting for contracts. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which may result in a reduction or reversal of previously recorded revenue and profit.

Failure to establish and maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and stock value.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial reports and is important in helping to prevent financial fraud. If we are unable to achieve and maintain adequate internal controls, our business, operating results and financial condition could be harmed. We will be required under Section 404 of the Sarbanes-Oxley Act of 2002 to furnish a report by our management on the design and operating effectiveness of our internal controls over financial reporting with our annual report on Form 10-K for our fiscal year ending December 31, 2008. Since this is the first time that we have had to furnish such a report, we expect to incur material costs and to spend significant management time to comply with Section 404. As a result, management s attention may be diverted from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may need to hire additional accounting and financial staff with appropriate experience and technical accounting knowledge, and we may not be able to do so in a timely fashion.

We are beginning to evaluate how to document and test our internal control procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules of the SEC (SOX), which require, among other things, our management to assess annually the effectiveness of our internal control over financial reporting and our independent registered public accounting firm to issue a report on that assessment. During the course of this documentation and testing, we may identify significant deficiencies or material weaknesses that we may be unable to remediate before the requisite deadline for those reports. If our management or our independent registered public accounting firm were to conclude in their reports that our internal control over financial reporting was not effective, this could have a material adverse effect on our ability to process and report financial information and the value of our common stock could significantly decline and you may lose part or all of your investment.

Once we become a public company, we will incur significant increased operating costs and our management will be required to devote substantial time to new compliance initiatives.

Once we become a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, SOX, as well as rules subsequently implemented by the Securities and Exchange Commission (the SEC), The Nasdaq Stock Market, Inc.® and the New York Stock Exchange have imposed various new requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these new compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

SOX requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, commencing in fiscal year 2008, SOX would require us to perform system and process evaluation and testing of our internal controls over financial reporting to enable management and our independent auditors to report on the effectiveness of internal controls over financial reporting, as required by Section 404 of SOX. Our testing or the subsequent testing by our independent auditors may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting, legal and consulting expenses and expend significant management efforts. We have only recently added an internal audit function, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent auditors identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC, our listing stock exchange, or other regulatory authorities, which would require additional financial and management resources.

Our bonding requirements may limit our ability to incur indebtedness.

We generally are required to provide various types of surety bonds that provide an additional measure of security for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends upon various factors including our capitalization, working capital and amount of our indebtedness. In order to help ensure that we can obtain required bonds, we may be limited in our ability to incur additional indebtedness that may be needed for potential acquisitions and operations. Our inability to incur additional indebtedness could have a material adverse effect on our business, operating results and financial condition.

New accounting pronouncements including SFAS 123R may significantly impact our future operating results and earnings per share.

Prior to January 2006, we accounted for our stock-based award plans to employees and directors in accordance with Accounting Principals Board Opinion No. 25 (APB No. 25), *Accounting for Stock Issued to Employees*, under which compensation expense is recorded to the extent that the current market price of the underlying stock exceeds the exercise price. Under this method, we generally did not recognize any compensation related to employee stock option grants we issued under our stock option plans at fair value. In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R). This statement, which became effective for us beginning on January 1, 2006, requires us to recognize the expense attributable to stock options granted or vested subsequent to December 31, 2005.

SFAS 123R requires us to recognize share-based compensation as compensation expense in our statement of operations based on the fair values of such equity on the date of the grant, with the compensation expense recognized over the vesting period. This statement also required us to adopt a fair value-based method for measuring the compensation expense related to share-based compensation. The impact of the adoption of SFAS 123R on our results of operations resulted in share-based compensation expense of approximately $130,000 in 2006. Future annual share-based compensation expense could be affected by, among other things, the number of stock options

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issued annually to employees and directors, volatility of our stock price and the exercise price of the options granted. Future changes in generally accepted accounting principles may also have a significant effect on our reported results.

Risks Related to this Offering and Our Common Stock

There has been no public market for our common stock, we do not know if one will develop that will provide you with adequate liquidity, and following the completion of this offering, the trading price for our common stock may be volatile and could be subject to wide fluctuations.

Although our common stock has been traded on The PORTAL Market (which is operated by The Nasdaq Stock Market, Inc.) since July 2, 2007, we believe that less than 660,000 shares have been traded as of the date of this prospectus (or less than 3.2% of the 20,949,196 shares eligible to be traded). As a result, the trading price of our common stock on The PORTAL Market is probably not an accurate indicator of the trading price of our common stock after this offering.

Although we have applied to list the shares of our common stock on the Nasdaq Global Market, we cannot assure you that we will meet their listing requirements or that even if we are successful in obtaining a listing that an active trading market for the shares will develop. The liquidity of any market for the shares of our common stock will depend on a number of factors, including:

- the number of shareholders;
- our operating performance and financial condition;
- the market for similar securities;
- the extent of coverage of us by securities or industry analysts; and
- the interest of securities dealers in making a market in the shares of our common stock.

Historically, the market for equity securities has been subject to disruptions that have caused substantial volatility in the prices of these securities, which may not have corresponded to the business or financial success of the particular company. We cannot assure you that the market for the shares of our common stock will be free from similar disruptions. Any such disruptions could have an adverse effect on shareholders. In addition, the price of the shares of our common stock could decline significantly if our future operating results fail to meet or exceed the expectations of market analysts and investors.

Even if an active trading market develops, the market price for our common stock may be highly volatile and could be subject to wide fluctuations. Some of the facts that could negatively affect our share price include:

- actual or anticipated variations in our quarterly operating results;
- changes in our earnings estimates;
- publication of misleading or unfavorable research reports about us;
- increases in market interest rates, which may increase our cost of capital;
- changes in applicable laws or regulations, court rulings, enforcement and legal actions;

changes in market valuations of similar companies;

adverse market reaction to any increased indebtedness we incur in the future;

additions or departures of key management personnel;

actions by our shareholders;

speculation in the press or investment community; and

general market and economic conditions.

We do not anticipate paying any dividends on our common stock in the foreseeable future.

We do not intend to declare or pay any cash or other dividends on our common stock in the foreseeable future. For the foreseeable future, we intend to retain earnings to grow our business. Payments of future dividends, if any, will be at the discretion of our board of directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements, and other factors as our board of directors deems relevant. Our existing credit facility and bonding facility restrict our ability to pay cash dividends on our common stock, and we may also enter into credit agreements or other bonding or borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock.

Our common stock is subject to restrictions on foreign ownership.

We are subject to government regulations pursuant to the Dredging Act, the Jones Act, the Shipping Act and the Vessel Documentation Act. These statutes require vessels engaged in the transport of merchandise or passengers or dredging in the navigable waters of the U.S. to be owned and controlled by U.S. citizens. The U.S. citizenship ownership and control standards require the vessel-owning entity to be at least 75% U.S.-citizen owned. Our certificate of incorporation contains provisions limiting non-citizenship ownership of our capital stock. If our board of directors determines that persons who are not citizens of the U.S. own more than 23% of our outstanding capital stock or more than 23% of our voting power, we may redeem such stock or, if redemption is not permitted by applicable law or if our board of directors, in its discretion, elects not to make such redemption, we may require the non-citizens who most recently acquired shares to divest such excess shares to persons who are U.S. citizens in such manner as our board of directors directs. The required redemption price could be materially different from the current price of the common stock or the price at which the non-citizen acquired the common stock. If a non-citizen purchases the common stock, there can be no assurance that he will not be required to divest the shares and such divestiture could result in a material loss. Such restrictions and redemption rights may make our equity securities less attractive to potential investors, which may result in our common stock having a lower market price than it might have in the absence of such restrictions and redemption rights.

You may experience dilution of your ownership interests if we issue additional shares of our common stock in the future.

We may in the future issue additional shares resulting in the dilution of the ownership interests of our present shareholders and purchasers of our common stock offered hereby. We are currently authorized to issue 50,000,000 shares of common stock and 10,000,000 shares of preferred stock with such designations, preferences and rights as determined by our board of directors. As of the date of this prospectus, there were 21,565,324 shares of our common stock outstanding. The potential issuance of such additional shares of common stock may create downward pressure on the trading price of our common stock, if a market for our stock were to develop. Also, we have issued, and we may issue additional, shares of our common stock or other securities that are convertible into or exercisable for common stock in connection with additional equity-based compensation to existing employees, the hiring of personnel, future acquisitions, future private placements of our securities for capital raising purposes, or for other business purposes.

Future sales of our common stock may have an adverse effect on the price of our common stock.

As of the date of this prospectus, there were 21,565,324 shares of our common stock outstanding. The market price of the shares of our common stock could decline as a result of sales by our existing shareholders or the perception that such sales might occur after the termination of the lock-up restrictions, which apply to the selling shareholders and certain members of management. If, following the expiration of the lock-up period, any of our existing shareholders sell a significant number of shares, the market price of our common stock could be adversely affected.

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Provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our company, which could adversely affect the price of our common stock.

The existence of some provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our company, which could adversely affect the price of our common stock. The provisions in our certificate of incorporation and bylaws that could delay or prevent an unsolicited change in control of our company include a staggered board of directors, board authority to issue preferred stock, and advance notice provisions for director nominations or business to be considered at a stockholder meeting. In addition, Delaware law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. See Description of Capital Stock Anti-Takeover Effects of Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We are including the following discussion to inform you of some of the risks and uncertainties that can affect our company and to take advantage of the safe harbor protection for forward-looking statements that applicable federal securities law affords.

Various statements this prospectus contains, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future operations, revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as estimate, project, predict, believe, expect, anticipate, potential, plan, goal or other words that convey future events or outcomes. The forward-looking statements in this prospectus speak only as of the date of this prospectus; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed under Risk Factors, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, contingencies and uncertainties include, but are not limited to, the following:

- our ability to obtain sufficient bonding capacity for our contracts;
- our ability to develop and maintain key customer relationships and our reputation in the heavy civil marine infrastructure market;
- our ability to attract and retain qualified personnel;
- failure to accurately estimate our costs or execute within our cost estimates or by the scheduled date for completion on fixed price, lump-sum contracts;
- increased costs to acquire, manufacture and maintain the equipment necessary for our operations;
- fluctuations in our cash flow and profitability due to the timing of new contracts;
- reductions in government funding for heavy civil marine infrastructure or maintenance contracts;
- failure to comply with applicable terms of the government contracts to which we are a party;
- loss of one or more of our significant customers;
- our ability to fully realize the revenue value reported in our backlog;
- significant operating risks and hazards that could result in injury to persons or damage or destruction of property;

failure to maintain adequate amounts of insurance coverage and inability to obtain additional amounts of insurance coverage;

federal laws that may provide our employees with remedies for job-related claims in addition to those provided by state laws;

potential penalties for late completion of contracts;

our obligation or decision to pay our suppliers and subcontractors even if our customers do not pay or delay paying us;

difficulty in collecting receivables from major customers;

risks inherent in acquisitions, including our ability to obtain financing for proposed acquisitions and to integrate and successfully operate acquired businesses;

decrease in the anticipated investment in port and heavy civil marine infrastructure;

adverse change to the economy or business environment in the regions in which we operate;

adverse outcomes of pending claims or litigation and new claims or litigation and the potential effect on our business, financial condition and results of operations;

environmental risks, laws and regulations applicable to our operations that may expose us to significant costs and liabilities;

adverse impacts from weather affecting our performance and timeliness of completion, which could lead to increased costs and affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors;

increased costs and/or decreased supplies of petroleum-based products utilized to operate the equipment used in our construction contracts;

terrorist attacks at port or other facilities where we operate;

unionization, work stoppages, slowdowns or increased labor costs;

our inability to sustain our historical revenue growth rate;

risks inherent in international operations; and

foreign ownership restrictions with respect to our vessels, which could limit our ability to sell off any portion of our business or result in the forfeiture of our vessels or in our inability to continue our operations in U.S. navigable waters.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares of common stock offered by this prospectus. Any proceeds from the sale of the shares offered by this prospectus will be received by the selling shareholders.

DIVIDEND POLICY

For the foreseeable future, we intend to retain earnings to grow our business. Payments of future dividends, if any, will be at the discretion of our board of directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements, and other factors that our board of directors deems relevant. Our existing credit facility and bonding facility restricts our ability to pay cash dividends on our common stock, and we may also enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock. In addition, our ability to pay dividends depends on our receipt of cash dividends from our subsidiaries.

CAPITALIZATION

The following table shows our cash and capitalization as of September 30, 2007, on an actual basis. You should read this table in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	As of September 30, 2007 (Unaudited)	
Cash and cash equivalents	$	14,420
Total debt		1,643
Stockholders equity:		
Common stock par value $0.01 per share, 50,000,000 shares authorized, 21,565,324 shares issued		216
Additional paid-in capital		54,694
Retained earnings		29,462
Total stockholders equity		84,372
Total capitalization	$	86,015

MARKET FOR COMMON STOCK

Our common stock has been traded on The PORTAL Market, which is operated by the Nasdaq Stock Market, Inc., since July 2, 2007. Prior to that time, there was no market for our common stock. As of the date of this prospectus, the Company believes that a total of 653,798 shares of its common stock have been traded on The PORTAL Market since July 2, 2007. To our knowledge, the sale prices for shares of our common stock traded on The PORTAL Market since July 2, 2007 have ranged between $14.05 and $15.00 per share. The most recent reported price was $14.25. As of the date of this prospectus, there were approximately 515 holders of record of our common stock.

In connection with this offering, we have applied to list shares of our common stock on the Nasdaq Global Market under the symbol OMGI.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our selected historical consolidated financial information for the periods represented. The financial data as of and for each of the three years in the period ended December 31, 2006 has been derived from our audited consolidated financial statements and notes thereto, which have been audited by Grant Thornton LLP. The financial data as of and for the two years in the period ended December 31, 2003 has been derived from the audited consolidated financial statements and notes thereto of Orion Marine Group Holdings Inc., our parent entity prior to the 2004 acquisition. The share and per share financial data presented below has been adjusted to give effect to the 2.23 for one reverse split of our common stock that we effected on May 17, 2007 in connection with the 2007 Private Placement.

On October 14, 2004, we were acquired by Orion Marine Group, Inc., formerly known as Hunter Acquisition Corp., a corporation formed and controlled by our former principal stockholders. For accounting purposes, our company as it existed until the time we were acquired by Hunter Acquisition Corp. is referred to as our Predecessor and our company as it has existed since the acquisition is referred to as our Successor. Concurrent with the acquisition and in accordance with GAAP, we wrote up the value of our assets to their current market value (as determined by appraisals for certain of our assets, such as equipment and land) at the time of the transaction. The result of this write up increased the book value of our assets and the associated depreciation expense. Therefore, depreciation expense for our Predecessor was less than depreciation expense for our Successor. Additionally, certain expenses related to the maintenance and repair of our equipment and other items directly attributable to contract revenues were classified as selling, general and administrative expenses and other (income) loss for each of the two years in the period ended December 31, 2003. Beginning January 1, 2004 through December 31, 2006, these same expenses were classified as cost of contract revenues. Consequently, the cost of contract revenues, selling, general, and administrative expenses, and other (income) loss for each of the two years ended December 31, 2003 are not comparable to the cost of contract revenues, selling, general, and administrative expenses, and other (income) loss for the periods beginning January 1, 2004 through December 31, 2006.

Historical results are not necessarily indicative of results we expect in future periods. The data presented below should be read in conjunction with, and are qualified in their entirety by reference to, Capitalization and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

The following table includes the non-GAAP financial measure of EBITDA. For a definition of EBITDA and a reconciliation to net income calculated and presented in accordance with GAAP, please see Summary Consolidated Financial Data Non-GAAP Financial Measures.

	Predecessor			Successor				
	Year Ended December 31,		January 1 to October 13	October 14 to December 31,	Year Ended December 31,		Nine Months Ended September 30,	
	2002	2003	2004	2004	2005	2006	2006 (Unaudited)	2007 (Unaudited)
	(In thousands, except for share and per share data)							
Statement of Operations Data:								
Contract revenues	$ 106,793	$ 101,369	$ 97,989	$ 32,570	$ 167,315	$ 183,278	$ 129,917	$ 149,771

Cost of contract revenues	80,149	77,354	79,185	30,065	145,740	144,741	105,565	114,850
Gross profit	26,644	24,015	18,804	2,505	21,575	38,537	24,352	34,921
Selling, general and administrative expenses	15,478	16,376	7,752	1,611	10,685	18,225	9,550	16,649
Operating income	11,166	7,639	11,052	894	10,890	20,312	14,802	18,272
Interest expense, net	310	282	24	446	2,179	1,755	1,368	136
Other (income) loss, net	(605)	(1,030)	(52)	(237)	(405)	(886)	32	(27)
Income before income taxes	11,461	8,387	11,080	685	9,116	19,443	13,402	18,163
Income tax expense	4,621	3,508	4,378	266	3,805	7,040	4,874	6,834
Net income	6,840	4,879	6,702	419	5,311	12,403	8,528	11,329
Preferred dividends				460	2,100	2,100	1,571	777
Income (loss) available to common shareholders	$ 6,840	$ 4,879	$ 6,702	$ (41)	$ 3,211	$ 10,303	$ 6,957	$ 10,552

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	Predecessor				Successor			
	Year Ended December 31,		January 1 to October 13	October 14 to December 31,	Year Ended December 31,		Nine Months Ended September 30,	
	2002	2003	2004	2004	2005	2006	2006 (Unaudited)	2007 (Unaudi
	(In thousands, except for share and per share data)							
ted Per non Share 2):								
come per share								
	$ 74.35	$ 50.25	$ 69.02	$	$ 0.20	$ 0.65	$ 0.44	$
d	$ 74.35	$ 50.25	$ 69.02		$ 0.20	$ 0.63	$ 0.42	$
ted average outstanding								
	92,000	97,100	97,100	15,695,067	15,706,960	15,872,360	15,832,362	18,631
d	92,000	97,100	97,100	15,695,067	16,135,211	16,407,250	16,432,013	19,271
Financial								
DA(1)	$ 17,550	$ 15,318	$ 16,544	$ 3,091	$ 22,331	$ 33,003	$ 23,504	$ 27
l expenditures	5,003	7,044	8,407	2,383	9,149	11,931	9,849	7
nterest expense	325	282	150	263	2,146	3,453	1,876	
ciation and ed financing mortization	5,779	6,649	5,440	1,960	11,036	11,805	8,734	9
sh provided by ing activities	11,900	15,591	8,193	3,262	11,618	32,475	25,406	6
sh (used in) ng activities	(14,273)	(6,809)	(6,634)	(61,654)	(5,431)	(11,987)	(10,097)	(6
sh provided by n) financing ies	4,682	(5,476)	(1,055)	66,094	(6,244)	(9,572)	(3,630)	(4

	Predecessor			Successor		
	As of December 31,					As of September 30,
	2002	2003	2004	2005	2006	2007 (Unaudited)
	(In thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 5,114	$ 8,420	$ 7,701	$ 7,645	$ 18,561	$ 14,420
Working capital	6,478	7,775	11,475	14,729	12,970	28,254
Total assets	54,448	53,711	113,739	114,626	125,072	129,677
Total debt	11,556	5,965	40,489	34,548	25,000	1,643
Total stockholders equity	27,045	32,039	35,419	40,730	53,239	84,372

(1) For an explanation of EBITDA and a reconciliation of EBITDA to net income calculated and presented in accordance with GAAP, please see Summary Consolidated Financial Data Non-GAAP Financial Measures.

(2) The share and per share financial data presented for Successor periods have been adjusted to give effect to the 2.23 for one reverse split of our common stock that we effected on May 17, 2007 in connection with the 2007 Private Placement. The substantial difference in weighted average shares between the Predecessor and Successor periods results from the acquisition of our company by our former principal stockholders.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Consolidated Financial Data and our financial statements and related notes appearing elsewhere in this prospectus. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of risks and uncertainties, including those described in this prospectus under Special Note Regarding Forward-Looking Statements and Risk Factors. We assume no obligation to update any of these forward-looking statements.

Overview

We are a leading marine specialty contractor serving the heavy civil marine infrastructure market. We provide a broad range of marine construction and specialty services on, over and under the water along the Gulf Coast, the Atlantic Seaboard and the Caribbean Basin. Our customers are federal, state and municipal governments, the combination of which accounted for approximately 57% of our revenue in the nine months ended September 30, 2007, as well as private commercial and industrial enterprises. We are headquartered in Houston, Texas.

Our contracts are obtained primarily through competitive bidding in response to request for proposals by federal, state and local agencies and through negotiation with private parties. Our bidding activity is affected by such factors as backlog, current utilization of equipment and other resources, ability to obtain necessary surety bonds and competitive considerations. The timing and location of awarded contracts may result in unpredictable fluctuations in the results of our operations.

Most of our revenue is derived from fixed-price contracts. There are a number of factors that can create variability in contract performance and therefore impact the results of our operations. The most significant of these include the following:

- completeness and accuracy of the original bid;
- increases in commodity prices such as concrete, steel and fuel;
- customer delays and work stoppages due to weather and environmental restrictions;
- availability and skill level of workers; and
- a change in availability and proximity of equipment and materials.

All of these factors can impose inefficiencies on contract performance, which can impact the timing of revenue recognition and contract profitability. We plan our operations and bidding activity with these factors in mind and they have not had a material adverse impact on the results of our operations in the past.

Business Drivers and Measures

Industry trends impact our results of operations. In operating our business and monitoring its performance, we also pay attention to a number of performance measures and operational factors.

Industry Trends. Our performance is impacted by overall spending in the heavy civil marine infrastructure market. Spending by our customers, both government and private, is impacted by several important trends affecting our industry, including the following:

- increasing North American freight capacity, which results in the need for port and channel expansion and maintenance;
- deteriorating condition of intracoastal waterways and bridges;
- the historic $286.0 billion federal transportation funding bill of 2005;
- robust demand in the cruise industry;
- the continuing U.S. base realignment and closure program (BRAC);

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strong oil and gas capital expenditures;

ongoing U.S. coastal wetlands restoration and reclamation; and

recurring hurricane restoration and repair; and

the $23 billion federal water resources development funding bill of 2007 enacted on November 7, 2007.

In the aggregate, these industry trends drive marine transportation facility construction, dredging, bridge building, repair and maintenance, as well as specialty services that we perform in our markets. Each of these industry trends is discussed more thoroughly in the Business Industry Overview section.

Bidding. Industry trends result in the need for or inclinations of our customers to make capital expenditures and engage in repair and maintenance activities. We monitor the prospects and solicitations for government and for private work to determine what projects our customers are planning and when they will seek bids for their projects. This allows us to gauge the overall health of the markets we serve and to respond appropriately to changing market conditions, such as near-term softness or improving conditions in a particular market, by moving our equipment and personnel accordingly. Our industry is highly fragmented with competitors generally varying within the markets we serve and with few competitors competing in all of the markets we serve or for all of the services that we provide. We believe that the robust long-term demand for heavy civil marine infrastructure services combined with the fact that our industry is highly fragmented creates a favorable bidding environment for us.

Most of our contracts are obtained through competitive bidding on terms specified by the party inviting the bid. The nature of the contract specifications dictates the type of equipment, material and labor involved, all of which affect the cost of performing the contract and the price that our competitors will bid. Contracts for projects are generally awarded to the lowest qualified bidder, provided the bid is no greater than the amount of funds that are budgeted and available for the project. If all bids are greater than the available funds, then projects may be subject to rebid or cancellation as a result of budget constraints.

Our process for bidding projects varies by bid amount. We have implemented project controls to limit the level of bidding authority that we give to our project managers and regional vice presidents or equivalents. Generally, our project managers estimate and bid projects, and subsequently manage those projects that they successfully bid, which is in contrast to many other construction companies, where the estimation and bidding of projects and the subsequent management of those projects are performed by separate departments. Project managers have the sole authority to estimate and bid projects up to a specified size; any project above the bidding authority of a project manager must involve a regional vice president or equivalent in the preparation of the estimate and bid; and any bid above the regional vice president s or equivalent s authority must involve the Chief Executive Officer in the estimation and bidding process. We believe that our operating philosophy allows our project managers to work in an entrepreneurial environment, increases accountability amongst our project managers, and also provides us with the ability to develop the long-term careers of our project managers and reward them appropriately.

Utilization. An important factor that we take into consideration when we manage our business is the current and projected utilization of our equipment and personnel. We do not measure utilization of equipment or personnel in the aggregate, but rather track utilization by our major pieces of equipment, such as barges, cranes, dredges, tugs, etc., and the associated personnel required to operate the equipment. We track this information using our state-of-the-art, scalable, integrated enterprise-wide project management software system. Our ability to maintain high levels of utilization of our equipment and keep our employees working on jobs in significant part drives our profitability.

Backlog. Once we have successfully bid on a project and executed a contract to perform the work, we record the value of the contract as backlog. Our backlog is the financial representation of the revenue associated with the future commitments of our equipment and personnel that is tracked in our project management software system. Backlog consists of projects that have either (a) not yet started, or (b) are in progress but not yet complete. Consequently, backlog is also an important factor we use to monitor our business. The typical duration of our contracts is three to nine months, so our backlog at any point in time usually represents only a portion of the revenue that we expect to realize during a twelve month period.

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As our business continues to grow, we expect that our backlog will increase over time. However, our backlog may fluctuate significantly from quarter to quarter, and a quarterly decrease of our backlog might not necessarily translate into a deterioration of our business. For example, in anticipation of bidding on a large project for which we believe we will be the successful bidder, we may choose not to bid on near-term projects so that our schedule can accommodate a large job. Even though this management decision would result in a near-term decline in our backlog, it is not inconsistent with our dual goals of maintaining high utilization rates of our equipment and personnel and long-term growth in our backlog.

Revenue. We recognize our revenue using the percentage-of-completion methodology. Percentage-of-completion for construction contracts is measured principally by the costs incurred and accrued to date for each contract to the estimated total costs for each contract at completion. We generally consider contracts substantially complete upon acceptance by the customer and departure from the construction site. A significant portion of our revenue depends on project funding by various government agencies and is adversely affected by decreased level of, or delays in, government funding. Moreover, a substantial portion of our revenue depends on funding from the Corps of Engineers, which provides the majority of the funding for government dredging projects.

Cost of Revenue. The components of costs of contract revenues include labor, equipment (including depreciation, insurance, fuel, maintenance and supplies), materials, lease expense and project overhead. Costs of contract revenues vary significantly depending on the type and location of work performed and assets utilized. Since the realization of our revenue is driven primarily by the cost of our revenues in relation to our estimated total costs to complete a contract, we monitor the costs realized to date and the estimated costs required to complete a project very closely, on a project-by-project basis, using our project management software system. For example, on a heavy civil marine construction project such as a concrete fabricated dock, we would be required to drive a certain number of concrete piles to provide a foundation for the port facility that we would subsequently construct on the piles. In this example, we would closely monitor the rate at which the piles were being driven relative to our original expectations. We monitor the progress on our jobs, and therefore the associated costs, by way of weekly management meetings that include the local project managers, the regional managers, and the senior management team. By monitoring our jobs in this manner, we are able to quickly identify potential issues and respond accordingly. We believe that our ability to effectively manage the cost of revenue is a competitive strength of our organization and is indicative of the depth of our management team. Our intense focus on profitably executing contracts has resulted in only a small number of unprofitable contracts since our founding.

Another important aspect of managing our cost of revenue is to recognize opportunities for change orders, which is a change to the original specifications of the contract, and occurs once a project has begun. In doing so, we are able to (a) recognize additional revenue from a project on a negotiated basis, rather than a competitive bidding situation, at generally higher margins, and (b) avoid potential disputes with our customers regarding required deviations from the original terms of the contract.

General and Administrative Expenses. Our general and administrative costs include non-contract related salaries and expenses, incentive compensation, discretionary profit sharing and other variable compensation, as well as other overhead costs to support our overall business. In general, these costs will increase in response to our growth and the related increased complexity of our business. In addition, we also expect to incur increased general and administrative expenses related to the cost of operating as a public company and additional implementation costs in fiscal 2007 and 2008 relating to compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Other Factors. Other factors that will influence our operations in future periods include the following:

Seasonality. Substantially all of our services are performed on, over and under the water, causing our results to be subject to seasonal variations due to weather conditions. The core markets in which we operate   the Gulf Coast, the

Atlantic Seaboard and the Caribbean Basin are affected by hurricanes and tropical storms during hurricane season, which occurs annually in the Gulf of Mexico and Atlantic Ocean from June through November. Over 97% of the hurricanes and tropical storms occur during this time period, and 78% occur from August through October. Since we operate our business in a wet environment and many of our marine projects are constructed to withstand harsh conditions such as hurricanes and tropical storms, wet conditions generally do not affect our operations, but major hurricanes and tropical storms may temporarily impact our operations. For example, we monitor all named storm systems to determine which, if any, of our projects will be affected. Because hurricanes and tropical storms move slowly, we usually have ample time to prepare appropriately for the storm, which typically includes demobilizing much of our equipment and removing our employees from the job site. Once the storm has passed, we must then mobilize our personnel and equipment back to the job site, which results in delays in the completion of our work and an increase in the costs associated with performing our work.

Generally, in our fixed-price contracts we bear the risks of increased costs, delays to completion of work, damage to our equipment, and damage to the work already completed at a job site, including those related to severe weather conditions, such as hurricanes and tropical storms. Consequently, our cost estimates to complete a job in a hurricane prone area during hurricane season include costs related to mobilizing and demobilizing personnel and equipment, and our schedule assumes there will be delays associated with hurricanes and tropical storms. Years in which tropical systems activity is less than expected or does not significantly impact our job sites, as was the case in 2006, we release those contingencies within our jobs as they are completed, which results in the recognition of profit and usually occurs during the fourth quarter.

Surety Bonding. In connection with our business, we generally are required to provide various types of surety bonds that provide an additional measure of security to our customers for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends upon our capitalization, working capital, past performance, management expertise and external factors, including the capacity of the overall surety market. Surety companies consider such factors in light of the amount of our backlog that we have currently bonded and their current underwriting standards, which may change from time-to-time. During the nine months ended September 30, 2007, approximately 66% of our projects, measured by revenue, required us to post a bond. The bonds we provide typically have face amounts ranging from $1.0 to $50.0 million. As of September 30, 2007, we had approximately $100.0 million in surety bonds outstanding and we believe our capacity under our current bonding arrangement was $250.0 million in aggregate surety bonds. We believe that our bonding capacity provides us with a significant competitive advantage relative to many of our local competitors, as many of these competitors are sole proprietors or similar enterprises and are often required to personally guarantee their surety bonds, which frequently limits their bonding capacity.

Outlook. The Water Resources Development Act of 2007 (WDRA) provides for the conservation and development of water and related resources and contains approvals for various harbor deepening projects and numerous projects under the Louisiana Coastal Restoration Plan. The $23 billion bill was enacted on November 7, 2007, but particular projects must still be specifically authorized and appropriated by Congress. We believe that the enactment of this legislation will provide us with additional opportunities to utilize a broad range of our marine construction capabilities in the future.

Significant Changes in Ownership

2004 Acquisition. On October 14, 2004, our Predecessor was acquired by Orion Marine Group, Inc., formerly known as Hunter Acquisition Corp., a corporation formed and controlled by our former principal stockholders, whose funds were managed by Austin Ventures and TGF Management Corp. The cash purchase price for the shares that were acquired was approximately $73.0 million, including acquisition costs. Following the acquisition, we had approximately $41.5 million of new debt in a senior term loan. We also had an undrawn $8.5 million revolving credit facility. Prior to the acquisition, our principal stockholders provided incremental financial and strategic resources necessary for our continued success, including implementing stock based compensation, transitioning senior leadership and establishing standardization of systems and more scalable internal systems, such as our project control systems.

2007 Private Placement. On May 31, 2007, pursuant to the 2007 Private Placement, we completed the sale of 20,949,196 shares of our common stock at a sale price of $13.50 per share to qualified institutional buyers, non-U.S. persons and accredited investors and repurchased and retired all of our outstanding preferred stock and 16,053,816 shares of our common stock from our former principal stockholders using approximately $242.0 million of the net proceeds, which resulted in a net increase in shares outstanding of 4,895,380 shares. The remaining net proceeds to us from the 2007 Private Placement (after purchaser s discount, placement fees and expenses) were $19.5 million and were and are being used for working capital and general corporate purposes. In connection with the 2007 Private Placement, we entered into employment agreements and transaction bonus agreements with our

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executive officers and certain key employees. Under the agreements, we granted 26,426 shares of common stock, granted options to acquire 327,357 shares of common stock, and made cash payments totaling up to $2.2 million.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. While our significant accounting policies are described in more detail in the notes to our consolidated financial statements included elsewhere in this offering memorandum, we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements.

Revenue Recognition. We enter into construction contracts principally on the basis of competitive bids. Although the terms of our contracts vary considerably, most are made on a fixed price basis. Revenues from construction contracts are recognized on the percentage-of-completion method in accordance with the AICPA Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts.* Percentage-of-completion for construction contracts is measured principally by the costs incurred and accrued to date for each contract to the estimated total costs for each contract at completion. We generally consider contracts substantially complete upon departure from the construction site and acceptance by the customer.

Our most significant cost drivers are the cost of labor, cost of equipment, cost of materials, cost of fuel and the cost of casualty and health insurance. These costs may vary from the costs we estimated. Variations from estimated contract costs along with other risks inherent in fixed price contracts may result in actual revenue and gross profits differing from those we estimated and could result in losses on projects. Depending on the size of a particular project, variations from estimated project costs could have a significant impact on our operating results for any fiscal quarter or year. We believe our exposure to losses on fixed price contracts is limited by the relatively short duration of the fixed price contracts we undertake and our management s experience in estimating contract costs.

Long-Lived Assets. Fixed assets are carried at cost and are depreciated over their estimated useful lives, ranging from one to thirty years, using the straight-line method for financial reporting purposes and accelerated methods for tax reporting purposes. The carrying value of all long-lived assets is evaluated periodically in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* to determine if adjustment to the depreciation period or the carrying value is warranted. If events or circumstances indicate that the long-lived assets should be reviewed for possible impairment, we use projections to assess whether future cash flows on a non-discounted basis related to the tested assets are likely to exceed the recorded carrying amount of those assets to determine if write-down is appropriate. If we identify impairment, we will report a loss to the extent that the carrying value of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar projections on a discounted basis.

Dry-docking activities and costs are capitalized and amortized on the straight-line method over a period ranging from 3 to 15 years until the next scheduled dry-docking. Dry-docking activities include, but are not limited to, the inspection, refurbishment and replacement of steel, engine components, tailshafts, mooring equipment and other parts of the vessel. Amortization related to dry-docking activities is included as a component of depreciation. These activities and the related amortization periods are periodically reviewed to determine if the estimates are accurate.

Goodwill. We evaluate goodwill for potential impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets.* Included in this evaluation are certain assumptions and estimates to determine fair value of reporting units such as estimates of future cash flows, discount rates as well as assumptions and estimates related to valuation of other identifiable intangible assets. Changes in these assumptions and estimates or significant changes to the market value of our company could materially impact our results of operations or financial position. As of September 30, 2007, goodwill was $2.5 million and no impairment loss was recorded during the nine months ended September 30, 2007.

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Income Taxes. We evaluate valuation allowances for deferred tax assets for which future realization is uncertain. We perform this evaluation at least annually at the end of each fiscal year. The estimation of required valuation allowance includes estimates of future taxable income. In assessing the realizability of deferred tax assets at September 30, 2007, we considered that it was more likely than not that all of the deferred tax assets would be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

We account for uncertain tax positions in accordance with the provisions of FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48), which it adopted on January 1, 2007. The implementation of FIN 48 required us to make subjective assumptions and judgments regarding income tax exposure. Interpretations of and guidance surrounding income tax laws and regulations change over time, and these may change our subjective assumptions, which in turn, may affect amounts recognized in the condensed consolidated balance sheets and statements of income.

Self-Insurance. The Company maintains insurance coverage for its business and operations. Insurance related to property, equipment, automobile, general liability, and a portion of workers compensation is provided through traditional policies, subject to a deductible. A portion of the Company s workers compensation exposure is covered through a mutual association, which is subject to supplemental calls.

The Company maintains two levels of excess loss insurance coverage, $20 million in excess of primary coverage and $10 million in excess of the $20 million, which excess loss coverage responds to all of the Company s insurance policies other than a portion of its Workers Compensation coverage and employee health care coverage. Our primary excess loss coverage responds to most of our policies when a primary limit of $1 million has been exhausted; provided that the primary limit for our Maritime Employer s Liability Policy is $10 million and for our Watercraft Pollution Policy is $5 million.

Separately, the Company s employee health care insurance is provided through a trust, administered by a third party. The Company funds the trust based on current claims. The administrator has purchased appropriate stop-loss coverage.

Losses on these policies up to the deductible amounts are accrued based upon known claims incurred and an estimate of claims incurred but not reported. The accruals are derived from actuarial studies, known facts, historical trends and industry averages utilizing the assistance of an actuary to determine the best estimate of the ultimate expected loss.

We believe our self insurance accruals are adequate based on the facts and circumstances known to us as of the balance sheet dates. However, self-insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. Therefore, if actual experience differs from the assumptions used in the actuarial valuation, adjustments to the reserve may be required and would be recorded in the period that the experience becomes known.

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Consolidated Results of Operations

Nine Months Ended September 30, 2007 Compared with nine months ended September 30, 2006

	Nine Months September 30, 2007		Nine Months September 30, 2006	
	Amount	Percent	Amount	Percent
Contract revenues	$ 149,771	100.0%	$ 129,917	100.0%
Cost of contract revenues	114,850	76.7	105,565	81.3
Gross profit	34,921	23.3	24,352	18.7
Selling, general and administrative expenses	16,649	11.1	9,550	7.4
Operating income	18,272	12.2	14,802	11.3
Other (income) expense				
Interest expense, net	136	0.1	1,368	1.1
Other (income) expense, net	(27)		32	
Other expense, net	109	0.1	1,400	1.1
Income before income taxes	18,163	12.1	13,402	10.2
Income tax expense	6,834	4.6	4,874	3.8
Net income	$ 11,329	7.5%	$ 8,528	6.4%

Contract Revenues. Total revenues increased 15.3% from $129.9 million for the nine months ended September 30, 2006 to $149.8 million for the nine months ended September 30, 2007. The increase of $19.9 million resulted from the progress schedules, nature of contracts in progress and continuing construction of a causeway in Florida, cruise dock terminal facilities in Texas and large maintenance projects with repairs to existing waterfront structures, particularly in the Southeast U.S. Region.

Gross Profit. Total gross profit increased $10.6 million or 43.4% from $24.4 million for the nine months ended September 30, 2006 to $34.9 million for the nine months ended September 30, 2007. Gross margin increased from 18.7% for the nine months ended September 30, 2006 to 23.3% for the nine months ended September 30, 2007. The increases in gross profit and margin were achieved due to reductions in equipment and fuel costs and to productivity gains on labor and equipment. Additionally contributing to the increases was a reduction in subcontracting costs, to 9.9% of total costs, compared with 12.7% of total costs in the comparable prior year period, reflecting more self-performance on contracts in the first nine months of the year, which generally results in higher margins.

Selling, General and Administrative Expense. Selling, general and administrative expenses increased $7.1 million in the nine months ended September 30, 2007 as compared with the prior year period. The increase was due to one-time payments of bonuses and incentives to key employees upon the successful consummation of the common stock offering in May 2007, which totaled approximately $2.6 million. In addition, salaries and benefits increased by $3.9 million driven by increases in headcount, realignment of incentive programs and an increase in our current estimate under our self-insurance plans.

Other (Income) Expense, Net. Interest expense, net of interest income for the nine months ended September 30, 2007 was $136,000, a decrease of approximately $1.2 million as compared with the prior year period. The substantial decrease was due to the reduction of debt utilizing funds generated from the sale of common stock in the second quarter of the current year.

Income Tax Expense. Our effective tax rate increased to 37.6% for the nine months ended September 30, 2007 from 36.4% for the nine months ended September 30, 2006 due primarily to an increase in our blended state tax rate due to a change in our mix of revenues from certain states and permanent book tax differences.

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Year Ended December 31, 2005 Compared with December 31, 2006

The following information is derived from our historical results of operations.

	Twelve Months Ended December 31, 2005		2006	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Contract revenues	$ 167,315	100.0%	$ 183,278	100.0%
Cost of contract revenues	145,740	87.1	144,741	79.0
Gross profit	21,575	12.9	38,537	21.0
Selling, general and administrative expenses	10,685	6.4	17,425	9.5
Operating income	10,890	6.5	21,112	11.5
Other (income) expense				
Interest expense, net	2,179	1.3	1,755	1.0
Other (income) expense, net	(405)	(0.2)	(86)	0.0
Other expense, net	1,774	1.1	1,669	0.9
Income before income taxes	9,116	5.4	19,443	10.6
Income tax expense	3,805	2.3	7,040	3.8
Net income	$ 5,311	3.2%	$ 12,403	6.8%

Contract Revenues. Total revenue increased $16.0 million or 9.6%, from $167.3 million for the year ended December 31, 2005 to $183.3 million for the year ended December 31, 2006. The increase in revenue was primarily due to an increase in demand for dredging services by the Corps of Engineers as well as an overall increase in volume as a result of management s continuous effort to expand our business within our existing and new markets. In addition, we recognized approximately $10.3 million in revenue from projects acquired in connection with our acquisition of F. Miller and Sons LLC in September 2006.

Gross Profit. Total gross profit increased $16.9 million or 78.2% from $21.6 million for the year ended December 31, 2005 to $38.5 million for the year ended December 31, 2006. Gross margin increased from 12.9% for the year ended December 31, 2005 to 21.0% for the year ended December 31, 2006. The increase in gross margin was primarily due to the increase in dredging services, which historically have had a higher gross profit margin, as well as improved margins on projects in Florida and the Caribbean Basin as a result of higher productivity and favorable results relative to planned contingencies. These factors resulted in a decrease in the amount of work that was performed by subcontractors, which is typically performed at lower margins, a decrease in the cost for direct materials, which we typically do not mark up as much as our other costs, and an improvement in the utilization of our equipment.

Selling, General and Administrative Expense. Selling, general and administrative expenses increased $6.7 million or 63.1% from $10.7 million for the year ended December 31, 2005 to $17.4 million for the year ended December 31, 2006. Selling, general and administrative expenses as a percentage of revenue increased from 6.4% for the year ended

December 31, 2005 to 9.5% for the year ended December 31, 2006. The increase was primarily due to a $7.1 million increase in salaries and benefits driven by an increase in discretionary bonuses, a $0.3 million increase in insurance expense, a $0.1 million increase in utilities expense, a $0.1 million increase in office rent expense and a $0.2 million increase in audit fees, offset in part by a gain on the sale of certain property of $0.8 million.

Other Expense, Net. Other expense, net of other income decreased $0.1 million from $1.8 million for the year ended December 31, 2005 to $1.7 million for the year ended December 31, 2006. The decrease was primarily due to a decrease in net interest expense attributable to an increase in interest income as result of the increase in cash on hand.

Income Tax Expense. Our effective tax rate decreased to 36.2% in 2006 from 41.7% in 2005 due primarily to a reduction in our blended state tax rate due to a change in our mix of revenues from certain states and permanent book tax differences.

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Year Ended December 31, 2004 Compared with December 31, 2005

On October 14, 2004, Orion Marine Group, Inc., formerly known as Hunter Acquisition Corp., acquired 100% of the outstanding common stock of Orion Marine Group Holdings Inc. The acquisition was accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*.

Concurrent with the acquisition and in accordance with GAAP, we wrote-up the value of our assets to their current market value (as determined by appraisals for certain of our assets, such as equipment and land) at the time of the transaction. The result of this write-up increased the value of our assets and the associated depreciation expense. Therefore, depreciation expense for our Predecessor was less than depreciation expense for our Successor. Additionally, certain items in the income statement of our Predecessor have been reclassified to conform to the presentation of our Successor.

The following information is derived from our historical results of operations.

	Predecessor January 1 through October 13, 2004	Successor October 14 through December 31, 2004	Combined Year Ended December 31, 2004		Successor Year Ended December 31, 2005	
			Amount	Percent	Amount	Percent
	(Dollars in thousands					
Contract revenues	$ 97,989	$ 32,570	$ 130,559	100.0%	$ 167,315	100.0%
Costs of contract revenues	79,185	30,065	109,250	83.7%	145,740	87.1%
Gross profit	18,804	2,505	21,309	16.3%	21,575	12.9%
Selling, general and administrative expenses	7,752	1,611	9,363	7.2%	10,685	6.4%
	11,052	894	11,946	9.1%	10,890	6.5%
Other (income) expense						
Interest expense, net	24	446	470	0.4%	2,179	1.3%
Other income	(52)	(237)	(289)	(0.3)%	(405)	(0.2)%
Other (income) expense, net	(28)	209	181	0.1%	1,774	1.1%
Income before income taxes	11,080	685	11,765	9.0%	9,116	5.4%
Income tax expense	4,378	266	4,644	3.6%	3,805	2.3%
Net income	$ 6,702	$ 419	$ 7,121	5.4%	$ 5,311	3.2%

Contract Revenues. Total revenue increased $36.7 million or 28.1% from $130.6 million for the year ended December 31, 2004 to $167.3 million for the year ended December 31, 2005. The increase in revenue was primarily due to large port expansion projects awarded in the Caribbean Basin as well as an overall increase in volume from a higher backlog at the beginning of 2005.

Gross Profit. Total gross profit increased $0.3 million or 1.4% from $21.3 million for the year ended December 31, 2004 to $21.6 million for the year ended December 31, 2005. Gross margin decreased from 16.3% for the year ended December 31, 2004 to 12.9% for the year ended December 31, 2005. The decrease in gross margin was primarily due to an increase in depreciation expense related to the write up of our assets in conjunction with the acquisition by our principal shareholders; higher maintenance and repair expenses to our equipment, which resulted in lower utilization; certain one-time reductions to our costs of contract revenue in 2004 related to the successful resolution of a claim from a prior period and miscellaneous gains from scrap sales; and an increase in the amount of work that we had performed by subcontractors, which is typically performed at lower margins.

Selling, General and Administrative Expense. Selling, general and administrative expenses increased $1.3 million or 13.8% from $9.4 million for the year ended December 31, 2004 to $10.7 million for the year ended December 31, 2005. Selling, general and administrative expenses as a percentage of revenue decreased from 7.2% for the year ended December 31, 2004 to 6.4% for the year ended December 31, 2005. The increase was primarily due to a $0.2 million increase in salaries and benefits driven by an increase in the number of employees and a $0.2 million increase in amortization of deferred financing costs associated with our credit facility and a $0.1 million increase in depreciation expense.

Other (Income) Expense, Net. Other (income) expense, net increased $1.6 million from $0.2 million for the year ended December 31, 2004 to $1.8 million for the year ended December 31, 2005. The increase was primarily due to an increase in interest expense associated with our $41.5 million debt, which was outstanding between October 14 and December 31, 2004 and for the full twelve months ending December 31, 2005.

Income Tax Expense. Our effective tax rate increased to 41.7% in 2005 from 39.5% in 2004 due primarily to changes in blended state tax rate due to a change in our mix of revenues from certain states and permanent book tax differences.

Liquidity and Capital Resources

Our primary liquidity needs are to maximize our working capital to continually improve our bonding position, investing in capital expenditures and strategic acquisitions. Historically, our source of liquidity has been cash provided by our operating activities and borrowings under our credit facility. At September 30, 2007, we had reduced our debt to $1.6 million and we had available cash of $14.4 million. At December 31, 2006, our net indebtedness, which is comprised of total debt less cash, was $6.4 million. During the second quarter of 2007 we completed an offering of our common stock to investors, which added to our cash position. In addition, we increased operating margins and efficiently managed working capital. As a result of the offering, our operating performance and cash management, we generated sufficient funds from operations to support our cash demands and substantially reduced our debt. We expect to meet our future internal liquidity and working capital needs from funds generated in our operating activities for the next 12 months.

As of September 30, 2007, our working capital was $28.3 million compared to $13.0 million at December 31, 2006. The increase of $15.3 million in working capital was primarily due to an increase in accounts receivable of $8.3 million, reflecting our increased volume of revenue and to an increase of $3.5 million in costs and estimated earnings in excess of billings on uncompleted contracts, due to timing of customer billings. In addition, we reduced our current debt position by $4.2 million. Billings in excess of costs and estimated earnings on uncompleted contracts decreased as contracts progressed and we utilized funds received principally for mobilization. Fluctuations in working capital result from normal increases and decreases relative to our operational activity. As of September 30, 2007, we had cash on hand and availability under our revolving credit facility aggregating $22.3 million.

The following table provides information regarding our cash flows and our capital expenditures for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2006 and 2007:

	Year Ended December 31,			Nine Months Ended September 30,	
	2004*	**2005**	**2006**	**2006**	**2007**
			(In thousands)		
Cash provided by (used in):					
Operating activities	$ 3,262	$ 11,618	$ 32,475	$ 25,406	$ 6,328
Investing activities	(61,654)	(5,431)	(11,987)	(10,097)	(6,054)
Financing activities	66,094	(6,244)	(9,572)	(3,630)	(4,415)
Capital expenditures (included in investing activities above)	2,383	9,149	11,931	9,849	7,939

* *represents the period from October 14 to December 31, 2004*

Operating Activities. Net cash provided by operations for the years ended 2004, 2005 and 2006 was $3.3 million, $11.6 million, and $32.5 million, respectively. 2004 represents the period of time after the acquisition by Orion Marine Group, Inc. As a result of the acquisition in 2004, which increased the value of our equipment, our depreciation expense also increased by $3.5 million compared with all of 2004. Our net cash position in 2006 benefited from an increase in net income of $7.1 million and increases in billings in excess of costs and estimated earnings on uncompleted contracts of $5.5 million compared with the prior year. During the nine months ended September 30, 2007, our operating activities provided $6.3 million of cash as compared to $25.4 million for the nine months ended September 30, 2006. Contributing to the decrease between comparable periods was an increase in

2007 in accounts receivable balances related to the higher revenue volume combined with a decrease in net billings in excess of cost and estimated earnings reflecting the timing and use of progress payments. In the first nine months of 2006, we benefited from a substantial reduction in our accounts receivable and we increased our liability related to the receipt of progress payments on certain projects.

Investing Activities. Investing activities in 2004 include the acquisition by Orion Marine Group, Inc. In 2005, we purchased approximately $9.1 million of capital equipment. In 2006, cash from investing activities used was approximately $12.0 million, mostly related to purchases of equipment and to the upgrade of a dredge. During the nine months ended September 30, 2007, investing activities used $6.1 million of cash compared to $10.1 million of cash for the nine months ended September 30, 2006. Our purchases of equipment and capital improvements to existing equipment decreased in 2007 by $1.9 million. In the current year we generated cash of $1.9 million through the sale of non essential equipment.

Financing Activities. In 2004, our financing activities reflected the $41.5 million of debt incurred as a result of the acquisition by Orion Marine Group, Inc. our former principal stockholders. Financing activities in 2005 and 2006 reflect the scheduled repayments on the debt incurred in 2004. During the nine months ended September 30, 2007, financing activities used $4.4 million. Net proceeds from the sale of our common stock totaled approximately $19.1 million, which we used to reduce our debt. In the prior year, financing activities used $3.6 million, resulting from the scheduled principal payments on our existing debt.

Sources of Capital

In addition to our cash balances and cash provided by operations, we have a credit facility available to us to finance capital expenditures and working capital needs.

On July 10, 2007, following the significant reduction of our debt in May utilizing the proceeds from our stock offering, we restated our credit agreement with our existing lenders. Debt under the new credit facility includes the balance on the old credit facility of $3.1 million, which will be repaid in three installments through March 2008. In addition, the Company may borrow up to $25 million under an acquisition term loan facility and up to $8.5 million under a revolving line of credit. At the discretion of our lenders, either the acquisition term loan facility or the revolving line of credit may be increased by $25 million. The revolving line of credit is subject to a borrowing base and availability on the revolving line of credit is reduced by any outstanding letters of credit. As of September 30, 2007, no amounts had been drawn under the acquisition term loan facility or the revolving line of credit. All provisions under the credit facility mature on September 30, 2010. Our balance on our credit facility at September 30, 2007 was $1.6 million. Our availability under our line of credit at September 30, 2007 was approximately $7.9 million.

For each prime rate loan drawn under the credit facility, interest is due quarterly at the then prime rate minus a margin that is adjusted quarterly based on total leverage ratios, as applicable. For each LIBOR loan, interest is due at the end of each interest period at a rate of the then LIBOR rate for such period plus the LIBOR margin based on total leverage ratios, as applicable. Our interest rate at September 30, 2007 was 6.63%.

The credit facility requires us to maintain certain financial ratios and places other restrictions on us as to our ability to incur additional debt, pay dividends, advance loans and other actions. The credit facility is secured by the accounts, accounts receivable, inventory, equipment and other assets of the Company and its subsidiaries. At September 30, 2007, we were in compliance with all financial covenants.

Bonding Capacity

At September 30, 2007, we had adequate surety bonding capacity under our surety agreement with Liberty. Our ability to access this bonding capacity is at the sole discretion of our surety provider and is subject to certain other limitations such as limits on the size of any individual bond and restrictions on the total amount of bonds that can be issued in a given month. We believe we have adequate remaining available bonding capacity to meet our current needs, subject to the sole discretion of our surety provider. In addition, to access the remaining available bonding capacity, Liberty may require us to post additional collateral.

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Effect of Inflation

We are subject to the effects of inflation through increases in the cost of raw materials, and other items such as fuel. Because the typical duration of a project is between three to nine months we do not believe inflation has had a material impact on our operations.

Off Balance Sheet Arrangements

We currently have no off balance sheet arrangements.

Contractual Obligations

The following table sets forth information about our contractual obligations and commercial commitments as of September 30, 2007:

			Payment Due by Period		
	Total	<1 Year	1-3 Years	3-5 Years	>5 Years
			(In thousands)		
Long-term debt obligations	$ 1,643	$ 1,643	$	$	$
Operating lease obligations	3,189	1,181	1,163	259	586
Purchase obligations(1)	67	67			
Total	$ 4,899	$ 2,891	$ 1,163	$ 259	$ 586

(1) Purchase obligations include future cash payments pursuant to an outstanding licensing agreement for certain software. Commitments pursuant to other purchase orders and subcontracts related to construction contracts are not included since such amounts are expected to be funded under contract billings.

Our obligations for interest are not included in the table above as these amounts vary according to the levels of debt outstanding at any time. Interest on our revolving line of credit is paid monthly and fluctuates with the balances outstanding during the year, as well as with fluctuations in interest rates.

To manage risks of changes in the material prices and subcontracting costs used in tendering bids for construction contracts, we obtain firm quotations from our suppliers and subcontractors before submitting a bid. These quotations do not include any quantity guarantees, and we have no obligation for materials or subcontract services beyond those required to complete the contracts that we are awarded for which quotations have been provided.

New Accounting Pronouncements

In June 2006, the FASB issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes.* The interpretation prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted the provisions of FIN 48 on January 1, 2007. There was no impact on our financial statements related to the adoption of this statement.

The FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157) in September 2006. SFAS 157 defines fair value, establishes a framework for measuring fair value pursuant to GAAP and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements but does not require any new fair value measurements. We do not believe the adoption of this standard will have a material impact on our financial position or results of operation. This standard will become effective for us January 1, 2008.

The FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159) in February 2007. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS 159 apply only to entities that elect the fair value option. We do not believe the adoption of this standard will have a material impact on our financial position or results of operation. This standard will become effective for us January 1, 2008.

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In June 2007, the FASB ratified EITF 06-11 *Accounting for the Income Tax Benefits of Dividends on Share-Based Payment Awards*. EITF 06-11 provides that tax benefits associated with dividends on share-based payment awards be recorded as a component of additional paid-in capital. EITF 06-11 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. We do not believe adoption of this standard will have a material impact on our financial position and results of operations. This standard will become effective for us on January 1, 2008.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. Under this bulletin, registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for fiscal years ending on or after November 15, 2006. Adoption of SAB 108 did not have a material impact on our consolidated financial statements for all periods presented.

Quantitative and Qualitative Disclosures about Market Risk

Management is actively involved in monitoring exposure to market risk and continues to develop and utilize appropriate risk management techniques. Our exposure to significant market risks includes outstanding borrowings under our floating rate credit agreement and fluctuations in commodity prices for concrete, steel products and fuel. An increase in interest rates of 1% would not have increased interest expense significantly for the three and nine months ended September 30, 2007. Although we attempt to secure firm quotes from our suppliers, we generally do not hedge against increases in prices for concrete, steel and fuel. Commodity price risks may have an impact on our results of operations due to the fixed price nature of many of our contracts.

As of September 30, 2007, there was $1.6 million outstanding under our credit agreement and there were no borrowings outstanding under our revolving credit facility; however, there were letters of credit issued in the amount of $605,000 which lower the amount available to us on the revolving facility to approximately $7.9 million.

Related Party Transactions

We were a party to a Management Agreement with Capture 2004, L.P., dated as of October 14, 2004, in which we agreed to pay an annual management fee to Capture 2004, L.P. and reimburse Capture 2004, L.P. for reasonable out-of-pocket expenses directly related to the performance by Capture 2004, L.P. under the Management Agreement. The aggregate amount paid under this Management Agreement for the year ended December 31, 2006 was approximately $300,000. The Management Agreement was terminated as part of the 2007 Private Placement.

We have entered into indemnification agreements with our directors to provide our directors and certain of their affiliated parties with additional indemnification and related rights. See Description of Capital Stock Liability and Indemnification of Officers, Directors and Certain Affiliates for further information.

We entered into an agreement with Mr. Inserra whereby certain of our subsidiaries lease equipment used in our business from Mr. Inserra for $57,500 per month, payable on a monthly basis. The agreement is month to month. We have leased such equipment from Mr. Inserra pursuant to an oral agreement since October 2004. In March 2007, we entered into written lease agreements with Mr. Inserra regarding the lease of such equipment. The aggregate amount of the lease payments under the lease for the years ended December 31, 2005 and 2006 was $256,912 and $625,428, respectively. In addition, we purchased equipment for $1.0 million from Mr. Inserra in 2006.

In September 2006, the Company purchased a multi-purpose construction vessel for approximately $900,000 from I-QUIP, a company controlled by Russell B. Inserra. At the time of the sale, Mr. Inserra was our Chairman of the Board and CEO. Our Board of Directors approved this purchase.

On March 27, 2007, we entered into a redemption agreement with Austin Ventures VII, L.P., Austin Ventures VIII, L.P., Mr. Inserra, Capture 2004, L.P., Orion Incentive Equity, L.P. and 2004 Orion LLP, which was amended and restated on May 8, 2007. Under the redemption agreement, as amended, as part of the 2007 Private Placement, we redeemed all of the shares of our preferred stock held by them for a price per share equal to $1,000 plus all accrued or declared but unpaid dividends, and repurchased all 16,053,816 shares of our common stock held by them for a price per share equal to $12.555, representing the 2007 Private Placement offering price less the initial purchaser s discount and placement fee. The purpose of the redemption agreement was to ensure that each of the principal stockholders would sell their stock to us, with the value of their common stock determined by the price of the 2007 Private Placement, and to evidence the sale of their stock. Each of the other parties to the redemption agreement was one of our former principal stockholders. Messrs. Kozlowski, Twomey and Bryant, who were members of our board of directors at the time the redemption agreement was executed, each had an interest in Capture 2004, L.P., Orion Incentive Equity, L.P. and 2004 Orion LLP. Austin Ventures VII, L.P. and Austin Ventures VIII, L.P. had interests in Orion Incentive Equity, L.P. Mr. Aragona, who was also a member of our board of directors at the time the redemption agreement was executed, is the general partner of AV Partners VII, L.P. and AV Partners VIII, L.P., which are the general partners of Austin Ventures VII, L.P. and Austin Ventures VIII, L.P., respectively.

On October 15, 2007, our directors adopted a written policy (the Policy) on Related Party Transactions. A Related Party Transaction means any transaction, or series of similar transactions (and any amendments, modifications or changes thereto), in which the amount involved exceeds $120,000, to which we are a party, and in which any of the following persons has a direct or indirect material interest: (i) any of our directors, director nominees or executive officers; (ii) any record or beneficial owner of more than 5% of any class of our equity securities; and (iii) any member of the immediate family of any of the foregoing persons (which includes a person s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law) and persons sharing the same household of the foregoing persons. A Related Party Transaction does not include compensatory arrangements with our board or executive officers or certain other transactions.

The Policy provides that we shall not enter into any Related Party Transaction unless such transaction has been reviewed and approved in advance by a majority of disinterested directors serving on our audit committee and, if required, by the requisite vote of our full board of directors. The standard to be applied by the audit committee in evaluating a Related Party Transaction is whether the consideration to be paid or received in connection with any such transaction is no less favorable than terms available to an unaffiliated third party under the same or similar circumstances.

Since January 1, 2007, the only Related Party Transaction we have entered into was the redemption agreement. At the time of the execution of the redemption agreement, the Policy was not yet in effect. Our entire board was advised of the redemption agreement, its purpose and the nature of the transaction with our principal stockholders. The redemption agreement was then unanimously approved by our board of directors prior to its execution.

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BUSINESS

Our Business

We are a leading marine specialty contractor serving the heavy civil marine infrastructure market. We provide a broad range of marine construction and specialty services on, over and under the water along the Gulf Coast, the Atlantic Seaboard and the Caribbean Basin. Our customers are federal, state and municipal governments as well as private commercial and industrial enterprises. We are headquartered in Houston, Texas.

We act as a single-source, turnkey solution for our customers marine contracting needs. Our heavy civil marine construction services include marine transportation facility construction, dredging, repair and maintenance, bridge building, marine pipeline construction, as well as specialty services. Our specialty services include salvage, demolition, diving, surveying, towing and underwater inspection, excavation and repair. While we bid on projects up to $50.0 million, during 2006 our average revenue per project was between $1.0 million and $3.0 million. Projects we bid on can take up to 36 months to complete, but the typical duration of our projects is from three to nine months. In 2006, we provided 99% of our services under fixed-price contracts, measured by revenue, and self-performed over 85% of our work, measured by cost.

We focus on selecting the right projects on which to work, controlling the critical path items of a contract by self-performing most of the work, and managing the profitability of a contract by recognizing change order opportunities and rewarding project managers for outperforming the estimated costs to complete projects. We use state-of-the-art, scalable enterprise-wide project management software to integrate functions such as estimating project costs, managing financial reporting and forecasting profitability.

Our revenues grew from $101.4 million in 2003 to $183.3 million in 2006, a CAGR of 21.8%, substantially all of which was organic. During that same period, our EBITDA grew from $15.3 million in 2003 to $33.0 million in 2006, a CAGR of 29.2%, and our income available to common shareholders increased from $4.9 million in 2003 to $10.3 million in 2006, a CAGR of 28.1%. Our growth has been driven by our ability to capitalize on increased infrastructure spending in our markets across our scope of operations. This increased spending has caused shortages of specialized equipment and labor, creating a favorable bidding environment for heavy civil marine projects. We believe that the demand for our infrastructure services has been, and will continue to be, driven and funded primarily by a wide variety of factors and sources including the following:

Industry Drivers	**Representative Customers**
Increasing North American Freight Capacity /Port and Channel Expansion and Maintenance	Port of Houston, Tampa Port Authority, Port of Lake Charles, South Basin Development, Houston Cement, North Point Properties, Alcoa, The Haskell Company, Manatee County Port Authority, Port of Brownsville
Deteriorating Condition of U.S. Intracoastal Waterways and Bridges	Corps of Engineers, Texas Department of Transportation (TXDOT), Florida Department of Transportation (FDOT), City of Tampa, City of St. Petersburg
Historic Federal Transportation Funding Bill	TXDOT, FDOT, Louisiana Department of Transportation & Development
Robust Cruise Industry Activity	St. Lucia Air & Sea Port Authority, Ambergris Cay, Dominica Port Authority, Bahamas Marine, Port of Canaveral, Grand Turks Cruise Terminal, Carnival

	Cruise Lines, Port Authority of Cayman Islands
Continuing U.S. Base Realignment and Closure Program	U.S. Navy, Corps of Engineers
Strong Oil and Gas Capital Expenditures	Kinder Morgan, Shell Oil, ITC, Valero, Bahamas Oil Refining, Gulfterra, Esso, Teppco, Oiltanking, ExxonMobil
Ongoing U.S. Coastal and Wetlands Restoration and Reclamation	Federal, State and Local Agencies, City of Myrtle Beach, Corps of Engineers
Recurring Hurricane Restoration and Repair	Federal Emergency Management Agency, U.S. Department of Agriculture, State Agencies and Private Companies
The Water Resources Development Act of 2007	Federal, State and Local Agencies

We believe the diversity of industry drivers and funding sources that affect our market as well as our ability to provide a broad range of services result in a less volatile revenue stream year-to-year.

At September 30, 2007, our backlog under contract was approximately $115.9 million, compared with $80.3 million on September 30, 2006. Given the typical duration of our contracts, which ranges from three to nine months, our backlog at any point in time usually represents only a portion of the revenue that we expect to realize during a twelve month period. In addition to our backlog, we also have a substantial number of projects in negotiation or pending award at any given time. At September 30, 2007, we were in negotiation or pending award for approximately $30.4 million in new contracts we expect to be awarded; however, there can be no assurances that the negotiations will be successful or that these contracts will be executed and added to backlog. We expect to continue to grow our business organically, as well as selectively consider strategic acquisitions that improve our market position within our existing markets, expand our geographic footprint and increase our portfolio of services.

As of September 30, 2007, we employed a workforce of over 893 people, many of whom occupy highly skilled positions. None of our employees are members of a union. Our workforce is supported by a large fleet of specialty equipment, substantially all of which we own. We have built much of our most highly specialized equipment, including many of our dayboats, tenders and dredges, and we provide maintenance and repair service to our entire fleet. Our fleet is highly mobile, which enables us to easily relocate our specialized equipment to and across all of the regions that we serve.

On May 31, 2007, we completed a private placement of 20,949,196 shares of our common stock at a sale price of $13.50 per share to qualified institutional buyers, non-U.S. persons and accredited investors. The registration statement of which this prospectus is a part is being filed pursuant to the requirements of the registration rights agreement that we executed in connection with the 2007 Private Placement. We received net proceeds of approximately $261.5 million (after purchaser s discount and placement fees) from the 2007 Private Placement. We used approximately $242.0 million of the net proceeds to purchase and retire all of our outstanding preferred stock and 16,053,816 shares of our common stock from our former principal stockholders. The remaining net proceeds of $19.5 million from the 2007 Private Placement were and are being used for working capital and general corporate purposes. In connection with the 2007 Private Placement, we entered into employment agreements and transaction bonus agreements with our executive officers and certain key employees. Under the agreements, we granted an aggregate of 26,426 shares of common stock, granted options to acquire an aggregate of 327,357 shares of common stock, and made an aggregate of $2.2 million in cash payments.

History

We were founded in 1994 as a marine construction project management business. We initially focused on a low cost, transient strategy of identifying marine construction work that we could execute profitably, regardless of location. Our initial strategy was to buy equipment at the job site, perform the work, then sell that equipment and move on to the next job at another location. During this time, we performed work along the continental U.S. coastline, as well as in Alaska, Hawaii and the Caribbean Basin, and our revenue grew to $14.4 million in 1996.

To improve our financial and competitive position, we decided in 1997 to expand beyond the project management business by establishing fixed operating bases. Between 1997 and 2003, we invested approximately $30.0 million in four acquisitions to broaden our operating capabilities and geographic footprint, and our revenue grew to $101.4 million in 2003.

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Target/Acquisition Year	Strategic Rationale /Description
Mid Gulf Industrial (now Orion Construction) 1997	Established Texas Gulf Coast operating base Full service specialty marine contractor serving Houston ship channel; founded in 1954
King Fisher Marine Service 1998	Established dredging capabilities on Texas Gulf Coast Strength in pipeline construction; founded in 1940
Inter-Bay Marine Construction (now part of Misener Marine Construction) 2001)	Established Florida Gulf Coast operating base Founded in 1962
Misener Marine Construction 2002	Strengthened Florida operating base and enhanced Caribbean infrastructure expertise Strong transportation/bridge contractor; founded in 1945

On October 14, 2004, we were acquired by Orion Marine Group, Inc., formerly known as Hunter Acquisition Corp., a corporation formed and controlled by our former principal stockholders. Our former principal stockholders provided incremental financial and strategic resources necessary for our continued success including the following:

- implementing stock based compensation;
- transitioning senior leadership;
- establishing standard bidding, project estimation, project controls and other operating systems, including expanding support personnel; and
- implementing scalable internal software systems.

In September 2006, we acquired the assets of F. Miller Construction, based in Lake Charles, Louisiana, to serve as a platform for expansion within Louisiana and other Gulf Coast markets. F. Miller Construction was originally founded in 1932 and performs specialty marine construction projects, bridge construction projects, and complex sheet pile installations for both government and private industry customers.

In March and April 2007, we revised our subsidiary and holding company structure and amended our credit facility to increase the availability of indebtedness to fund future projects and any future acquisitions. With the proceeds we received from the 2007 Private Placement we substantially repaid all debt under our existing credit line and on July 10, 2007, we further restated our credit facility with our existing lenders.

Industry Overview

The U.S. Marine Transportation System (MTS) consists of waterways, ports and their intermodal connections, vessels, vehicles, and system users, as well as shipyards and repair facilities crucial to maritime activity. Forty-one states, including all states east of the Mississippi River, and 16 state capitals are served by commercially navigable waterways. More than 1,000 harbor channels and 25,000 miles of inland, intracoastal and coastal waterways in the U.S. serve over 300 ports, with more than 3,700 terminals that support passenger and cargo movements. More than 95% of the overseas trade that comes into or out of the U.S. arrives by ship through the MTS. The MTS is primarily an aggregation of federal, state, local and privately owned facilities and private companies.

The inland and intracoastal waterways in the U.S. operate as a system, and much of the commerce moves on multiple segments. These waterways are maintained by the Corps of Engineers as multi-purpose, multi-objective projects. They not only serve commercial navigation, but in many cases also provide hydropower, flood protection, municipal water supply, agricultural irrigation, recreation and regional development. These waterways a system of rivers, lakes and coastal bays improved for commercial and recreational transportation carry about one-sixth of the U.S. s intercity freight. A single barge traveling the nation s waterways can move the same amount of cargo as 58 semi-trucks at one-tenth the cost, reducing highway congestion and cost.

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The heavy civil marine infrastructure industry serving the MTS is fragmented, comprised of mostly local companies serving regional markets. According to Engineering News-Record, we are the fourth largest heavy civil marine contractor in the U.S., measured by revenue, and we continue to drive towards our goal of becoming the largest. While it is difficult to estimate the total size of the heavy civil marine infrastructure market because of the numerous sources of funding for such projects, we believe that the market for heavy civil marine construction services is driven by the following factors:

North American Freight Capacity /Port and Channel Expansion and Maintenance. Ports and harbors are vital to trade for the U.S. economy, help position the U.S. as a leader in global trade and are essential for national security. As international trade continues to grow, we anticipate that U.S. ports will need to build larger dock space and deepen their channels to accommodate larger container, dry bulk and liquid cargo ships in order to remain globally competitive. The American Association of Port Authorities reported growth in container traffic at all of the top six U.S. ports increases from 2005 to 2006 were between 5% and nearly 25% (as measured in 20-foot equivalent units (TEU s)). Overall, U.S. Department of Transportation projections indicate that total freight moved through U.S. ports will increase by more than 50% from 2001 to 2020, and that international container traffic will more than double. To compensate for substantial increases in cargo traffic, U.S. ports plan to spend approximately $10.6 billion between 2004 and 2008. This spending will primarily cover the overall modernization of cargo processing facilities, other infrastructure improvements and dredging.

Ports located on the Gulf Coast can also expect greater volume growth as the Panama Canal expansion projects increase the traffic of large container ships from the Pacific Ocean bypassing Long Beach, California. As a part of our existing operations, we service the Port of Houston, the second largest port in the U.S., and the other major ports across the Gulf Coast and Florida. We are also targeting growth along the Atlantic Seaboard where larger ports, such as Savannah, Charleston and Norfolk, are located.

Deteriorating Condition of U.S. Intracoastal Waterways and Bridges. U.S. inland and intercoastal waterways require substantial maintenance and improvement. While waterway usage is increasing, the facilities and supporting systems are aging. In its 2005 Report Card for America s Infrastructure, the American Society of Civil Engineers (ASCE) graded the U.S. Navigable Waterway System as a D-. For example, nearly 50% of all Corps of Engineers maintained waterway locks are functionally obsolete, and by 2020, an estimated 80% will be obsolete.

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The Corps of Engineers estimates that it would cost more than $125.0 billion to replace the present inland waterway system. Furthermore, as of 2003, according to the ASCE, 27.1% of the nation s bridges were structurally deficient or functionally obsolete. The ASCE estimates that it will cost $9.4 billion per year for 20 years to eliminate all bridge deficiencies. Moreover, the annual investment required to prevent the bridge investment backlog from increasing is estimated at $7.3 billion. As the system ages, the infrastructure cannot support the growing traffic loads, resulting in frequent delays for repairs. At the same time, the repairs become more expensive due to long-deferred maintenance.

Federal Transportation Funding Bill. There is a growing federal commitment to build, reconstruct and repair the U.S. transportation infrastructure. The $286.0 billion authorized by the highway funding legislation enacted in 2005 entitled the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU 2005) provides funding through 2009, represents a 38% increase from the prior period s spending bill and includes $22.0 billion to build, reconstruct and repair bridges. Even with this historic spending bill, the demand for infrastructure spending far outweighs the supply of funds. According to the ASCE, the U.S. will need $1.6 trillion over the next five years for infrastructure repairs to highways, dams, ports and bridges. As such, we expect that our core markets, as well as other geographic markets where we intend to increase our operations, will benefit considerably by higher transportation infrastructure spending:

Texas is ranked as the number one state for construction spending on highways and bridges. The anticipated Texas allocation from SAFETEA-LU 2005 of approximately $14.5 billion from 2005 to 2009 reflects a 37% increase from the prior spending bill.

Florida has experienced substantial population growth and requires significant spending to improve its transportation infrastructure. Florida also has the largest stretch of coastline of any state in the continental U.S., the area in which most of its population resides, increasing the need for coastal highway and bridge infrastructure. SAFETEA-LU 2005 s allocation for Florida is approximately $8.7 billion from 2005 to 2009, which reflects a 33% increase from the prior spending bill.

The remaining states into which we have expanded or plan to expand our operations include Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina and Virginia. The allocation from SAFETEA-LU 2005 for these states is approximately $27.8 billion in the aggregate from 2005 to 2009, reflecting a 30% increase from the prior spending bill.

Cruise Industry. The cruise industry is the fastest-growing category in the leisure travel market. According to Cruise Lines International Association, the industry generated $20.6 billion in revenue in 2005 and, according to the Florida-Caribbean Cruise Association, since 1980, the industry has experienced an average annual passenger growth rate of over 8% worldwide. The Caribbean Basin includes numerous cruise ports and is the most popular cruise destination in the North American market. According to Cruise Lines International Association, in 2006, over 64% of all U.S. embarkations originated from the ports within our service area of Miami, Galveston, Tampa, New Orleans, Everglades, Canaveral and Jacksonville. We anticipate that this increased activity will generate construction of new facilities for existing and additional cruise ports, and a need for repair and maintenances services for the existing port facilities and related infrastructure.

In North America, average passenger capacity rose at an average annual rate of 7.9% from 1981 to 2004. According to the Cruise Lines International Association, contracted passenger capacity will increase at an average annual rate of 6.8% from 2006 to 2011. These factors, along with the need for economies of scale, have necessitated the building of larger ships. Larger ships with deeper drafts, as well as an increase in the number of ships, have increased the need for substantial port infrastructure for embarkation, disembarkation and resupply. According to the Florida-Caribbean Cruise Association, approximately 29 new ships are already contracted or planned to be added to the North American fleet through 2010, driving expansion of cruise port and terminals within our markets.

U.S. Base Realignment and Closure Program (BRAC). We anticipate that when military budget initiatives shift away from Iraq, a greater emphasis will be made towards improving domestic naval station infrastructure and implementing BRAC. The U.S. Navy has been a large customer of ours in the past, and we believe BRAC and other funding initiatives can be a significant source of growth for us in the future. Within our existing markets, one coastal naval station has been targeted for closure and three others have been targeted for realignment, which we expect to result in the need for increased infrastructure at the realigned facilities where personnel and equipment will be moved from facilities targeted for closure.

Oil and Gas Capital Expenditures. We construct, repair and remove underwater pipelines, private refineries and terminal facilities and other critical oil and gas infrastructure. In the past, some of these facilities have delayed new capital expenditures, critical improvements and maintenance. Favorable commodity prices and higher refining margins have made these capital expenditures more economically attractive and driven greater general capital investment in oil and gas infrastructure. According to John S. Herold research, oil and gas expenditures have increased from $201.0 billion in 2004 to an estimated $237.0 billion in 2007.

We also believe that continued liquefied natural gas (LNG) terminal construction will drive demand for marine construction services across our service area. Within our existing service territory, three LNG port terminals are already operating and eighteen more LNG port terminals have been approved by the Federal Energy Regulatory Commission (FERC).

U.S. Coastal and Wetland Restoration and Reclamation. We believe that as coastal population density grows and waterfront property values increase, coastal population and demographic trends will cause an increase in the number of coastal restoration and reclamation projects. According to the U.S. Census Bureau, 53% of the U.S. population lives in coastal counties, which only account for 17% of the total land mass. Many people reaching retirement age choose to retire in coastal areas. As baby boomers begin to retire over the next few decades, further strains will be put on these areas. We believe that as the value of waterside assets rises from both a residential and recreational standpoint, citizens and municipalities will do more to protect these assets via restoration and reclamation projects.

Funding for the protection of natural habitats, environmental preservation, wetlands creation and remediation has increased significantly. The President s Fiscal Year 2008 Budget requests $1.9 billion for high priority projects that will protect and restore sensitive marine and coastal areas, advance ocean science and research, and ensure sustainable use of ocean resources, which includes funds to work with state and local partners to protect valuable coastal and marine habitat, including projects along the Gulf Coast.

Hurricane Restoration and Repair. Hurricanes can be very destructive to the existing marine infrastructure of the prime storm territories of the Gulf Coast, the Atlantic Seaboard and the Caribbean Basin, including bridges, ports, underwater channels and sensitive coastal areas. The demand for hurricane restoration and repair services is supplemented by the federal government s $94.5 billion spending package agreed to by House and Senate conferees in June 2006. Of the spending package, $19.8 billion is reserved for disaster relief, most of which will go to states in our operating territory. Typically, restoration and repair opportunities continue for several years after a major hurricane event. These events provide incremental projects to our industry that contribute to the favorable bidding environment and high capacity utilization in our markets.

Water Resources Development Act of 2007. The Water Resources Development Act of 2007 (WDRA) provides for the conservation and development of water and related resources and contains approvals for various harbor deepening projects and numerous projects under the Louisiana Coastal Restoration Plan. The $23 billion bill was enacted on November 7, 2007, but particular projects must still be specifically authorized and appropriated by Congress.

Competitive Strengths

We believe we have the following competitive strengths:

Breadth of Capabilities. Unlike many of our competitors, we provide a broad range of marine construction services for our customers. These services include marine transportation facility construction, dredging, repair and maintenance, bridge building and marine pipeline construction, as well as specialty services. Our specialty services include salvage, demolition, diving and underwater inspection, excavation and repair. By offering a breadth of services, we act as a single-source provider with a turnkey solution for our customers marine contracting needs. We believe this distinguishes us from smaller, local competitors, giving us an advantage in competitive bidding for certain projects. Furthermore, we believe our broad service offering and ability to complete smaller projects strengthens our relationships with our customers.

Experienced Management Team. Our executive officers and senior project managers have an average of 28 years of experience in the heavy civil construction industry, an average of 26 years of experience in the heavy civil marine infrastructure industry and an average of 18 years of experience with us and our predecessor companies. Our strong management team has driven operational excellence for us, as demonstrated by our high organic growth, disciplined bidding process and what we believe to be leading industry margins. We believe our management has fostered a culture of loyalty, resulting in high employee retention rates.

High Quality Fleet and Marine Maintenance Facilities. Our fleet, substantially all of which we own, consists of the following:

- over 260 vessels of various sizes and capabilities, including 55 spud barges and material barges, and five major cutter suction dredges and three portable dredges, 49 tug boats and push boats;
- over 215 cranes and other large pieces of equipment, including 48 crawler cranes and hydraulic cranes; and
- numerous pieces of smaller equipment.

We are capable of building, and have built, much of our highly specialized equipment and we provide maintenance and repair service to our entire fleet. For example, we recently manufactured our newest dredge, which can operate on either diesel fuel or electric power, allowing us to complete projects with specified limits on nitrogen oxide (NOX) emissions, an increasingly common specification on our projects. Because some of our equipment operates 24 hours a day, seven days a week, it is essential that we are able to minimize equipment downtime. We achieve this by operating our own electrical and machine shops, stocking long-lead spares and staffing maintenance teams on-call 24 hours a day, seven days a week to handle repair emergencies. We also own and maintain dry dock facilities, which reduce our equipment downtime and dependence on third party facilities. Our primary field offices in Channelview, Texas, Port Lavaca, Texas, and Tampa, Florida, are all located on waterfront properties and allow us to perform repair and maintenance activities on our equipment and to mobilize and demobilize equipment to and from our projects in a cost efficient manner.

Financial Strength /Conservative Balance Sheet. Financial strength is often an important consideration for many customers in selecting infrastructure contractors and directly affects our bonding capacity. In 2006, approximately 69% of our projects, measured by revenue, required some form of bonding. As of December 31, 2006, we had cash on hand of $18.6 million and senior debt of $25.0 million, resulting in a net debt position of $6.4 million. Most of our competitors are smaller, local companies with limited bonding capacity. We believe our financial strength and bonding capacity allow us to bid multiple projects and larger projects that most of our competitors may not be able to bond.

Self-Performance of Contracts. In 2006, we self-performed over 85% of our marine construction and dredging projects, measured by cost, meaning that we performed the projects using our own employees and equipment instead of using subcontractors. By self-performing our contracts, we believe we can more effectively manage the costs and quality of each of our projects, thereby better serving our customers and increasing our profitability. Our breadth of capabilities and our high quality fleet give us the ability to self-perform our contracts, which we believe distinguishes us from many of our competitors, who will often subcontract significant portions of their projects.

Project Selection and Bidding Expertise. Our roots as a project management business have served us well, creating a project management culture that is pervasive throughout our organization. We focus on selecting the right projects on which to bid, controlling the critical path items of a contract by self-performing the work and managing the contract profitably by appropriately structuring rewards for project managers and recognizing change order opportunities, which generally allow us to increase revenue and realize higher margins on a project. Our intense focus on profitably executing contracts has resulted in only a small number of unprofitable contracts since our founding. We use state-of-the-art, scalable enterprise-wide project management software to integrate functions such as estimating project costs, managing financial reporting and forecasting profitability.

Strong Regional Presence. We are a market leader in most of our primary markets. We believe our operations are strategically located to benefit from favorable industry trends, including increasing port expansion and maintenance, highway funding, oil and gas expenditures, coastal restoration and hurricane restoration and

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repair activity. For example, the Port of Houston, one of the largest ports in the U.S., and the Port of Tampa and their adjacent private industry customers generate both new marine construction and annual maintenance of existing dock facilities. In addition, the Texas Gulf Coast does not have any natural deep water ports, requiring all of its channels and ports to depend significantly on maintenance dredging, which is a significant source of recurring revenue. Our strong regional presence allows us to more efficiently deploy and mobilize our equipment throughout the areas in which we operate.

Growth Strategy

We intend to use the following strategies to increase revenue:

Expand and Fill in Our Service Territory. We intend to continue to grow our business by seeking opportunities in other geographic markets by establishing a physical presence in new areas through selective acquisitions or greenfield expansions. Over the last several years, we have successfully expanded our services into Florida, the Caribbean Basin and Louisiana through strategic acquisitions. We have also pursued greenfield growth opportunities on the Atlantic Seaboard by opening a Jacksonville, Florida office. We believe that the establishment of a geographic base improves our returns within a given market, reducing mobilization and demobilization costs, improving and increasing capacity utilization and improving work force economics and morale. We focus on establishing bases in markets with solid, long-term fundamentals. In particular, in the near-term we intend to establish additional operating bases in two geographic regions: along the Gulf Coast between Texas and Florida and along the Atlantic Seaboard, working north from Florida to the Chesapeake Bay. In the longer term, we intend to establish a presence in the Mississippi River System, on the West Coast of the U.S. and on the New England Coast of the U.S.

Pursue Strategic Acquisitions. We intend to evaluate acquisition opportunities in parallel with our greenfield expansion. Our strategy will include timely and efficient integration of such acquisitions into our culture, bidding process and internal controls. We believe that attractive acquisition candidates are available due to the highly fragmented and regional nature of the industry, high cost of capital for equipment and the desire for liquidity among an aging group of existing business owners. We believe our financial strength, industry expertise and experienced management team will be attractive to acquisition candidates.

Continue to Capitalize on Favorable Long-Term Industry Trends. Our growth has been driven by our ability to capitalize on increased infrastructure spending across the multiple end-markets we serve including port infrastructure, government funded transportation projects, oil and gas, and environmental restoration markets. We

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believe these long-term industry trends, described in more detail in Industry Overview, have significantly contributed to the funding and demand for our infrastructure services. This increased spending has caused shortages of specialized equipment and labor, creating a favorable bidding environment for heavy civil marine projects. We are well-positioned to continue to benefit from these long-term industry trends.

Continue to Enhance Our Operating Capabilities. Since our inception, we have focused on pursuing technically complex projects where our specialized services and equipment differentiate us from our competitors. Our breadth of services and ability to self-perform a high percentage of our projects has enabled us to better and more cost-effectively serve our customers needs. We intend to continue to enhance our operating capabilities across all of our present and future markets in order to better serve our customers and further differentiate ourselves from our competitors.

Services

We are a leading marine specialty contractor serving the heavy civil marine infrastructure market. We provide a broad range of marine construction services as follows:

Marine Construction Services. Marine construction services include the construction of marine transportation facilities, marine pipelines, bridges and causeways and marine environmental structures, as well as specialty services. We also have the capability of providing design-build services for these marine construction projects.

Marine Transportation Facilities. We provide construction, repair and maintenance services for all types of marine transportation facilities. We serve as the prime contractor for many of these heavy civil marine construction projects, some of which are design-build contracts. These projects are typically for steel or concrete fabricated dock or mooring structures designed for durability and longevity, and involve driving piles of concrete, pipe, or sheet pile up to 90 feet below the surface to provide a foundation for the port facility that we subsequently construct on the piles. These projects include the construction of the following:

- public port facilities for container ship loading and unloading;
- cruise ship port facilities;
- private terminals;
- special-use Navy terminals; and
- recreational use marinas and docks.

We also provide on-going maintenance and repair, as well as inspection services and emergency repair, demolition and salvage to existing port facilities and port facilities we have constructed.

Marine Pipeline Services. We provide construction, installation, repair, maintenance and removal of underwater pipelines. These projects require specialized equipment and expertise. Most of these projects involve trenching and jetting the sea floor to lay the pipe. The type and size of pipe we lay vary significantly, including steel, concrete and armored pipe with diameters ranging from 16 inches to over 90 inches. These projects include the following:

- installing and removing underwater buried pipeline transmission lines;
- installing pipeline intakes and outfalls for industrial facilities;

- constructing pipeline outfalls for wastewater and industrial discharge;
- performing river crossing and directional drilling;
- creating hot taps and tie-ins; and
- conducting inspection, maintenance and repairs.

Bridge and Causeway Construction. We construct, repair and maintain all types of bridges and causeways over marine environments. We serve as the prime contractor for many of these heavy civil projects, some of which are design-build contracts. These projects involve fabricating steel or concrete structures designed for durability and longevity, and involve driving piles of concrete, pipe or sheet to create support for the concrete deck roadways that we subsequently construct on the piles. These piles can exceed 50 inches in diameter, can range up to 170 feet in overall length and are often driven 90 feet into the sea floor. We have constructed bridges up to 7 miles in length requiring over 2,000 piles and 30,000 cubic yards of concrete. We also provide on going maintenance and repair, as well as emergency repair, to bridges and pile supports for bridges.

Marine Environmental Structures. We construct marine structures and install products used for erosion control, wetlands creation and environmental remediation. These projects include the following:

- installing concrete mattresses to ensure erosion protection;
- constructing levees to contain environmental mitigation projects; and
- installing geotubes for wetlands and island creation.

Specialty Services. Our specialty services include salvage, demolition, surveying, towing, diving and underwater inspection, excavation and repair. Our diving services are largely performed in shallow water with little to no visibility and include inspections, salvage and pile restoration and encapsulation. Our survey services include surveying pipelines and performing hydrographic surveys which determine the configuration of the floors of bodies of water and detect and identify wrecks and obstructions. Most of these specialty services support our other construction services and provide an incremental touch-point with our customers, strengthening relationships and providing leads for new business.

Dredging Services. Dredging generally involves enhancing or preserving the navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Dredging involves removing mud and silt off the channel floor by means of a mechanical backhoe, crane and bucket or cutter suction dredge and pipeline system. Dredging is integral for the following types of capital and maintenance projects:

- providing maintenance dredging for previously deepened waterways and harbors to remove silt, sand and other accumulated sediments;
- constructing breakwaters, jetties, canals and other marine structures;
- deepening ship channels and wharves to allow access to larger, deeper draft ships;
- containing erosion of wetlands and coastal marshes;
- conducting land reclamation;
- assisting in beach nourishment; and
- creating wildlife refuges.

Maintenance projects provide a source of recurring revenue as active channels typically require dredging every one to three years due to natural sedimentation. The frequency of maintenance dredging can be accelerated by rainfall and major weather events such as hurricanes. Areas where no natural, deep water ports exist, like the Texas Gulf Coast, require substantial maintenance dredging. We also maintain multiple specialty dredges of various sizes and specifications to meet customer needs.

Customers

Our customers include federal, state and local governments, as well as private commercial and industrial enterprises. Most projects are competitively bid, with the award going to the lowest qualified bidder. Our top 20 customers accounted for approximately 83%, 85% and 85% of our total revenues during the years ended December 31, 2006, December 31, 2005, and December 31, 2004, respectively. Other than the Corps of Engineers, we are not dependent upon any single customer or group of customers on an ongoing basis and do not believe the loss of any single customer or group of customers would have a material adverse effect on our business.

For the year ended December 31, 2006, we had three customers that each accounted for 10% or more of our total revenue. Revenue from the Corps of Engineers totaled approximately $41.4 million or 22.6% of our total revenue, revenue from the Port of Houston totaled approximately $27.4 million or 14.9% of our total revenue, and

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revenue from TXDOT totaled approximately $18.7 million or 10.2% of our total revenue. For the year ended December 31, 2005, we had two customers that each accounted for more than 10% of our total revenue. Revenue from TXDOT totaled approximately $22.5 million or 13.4% of our total revenue and revenue from the Corps of Engineers totaled approximately $21.5 million or 12.9% of our total revenue. On a combined basis for the Predecessor and Successor for the year ended December 31, 2004, we had two customers that each accounted for more than 10% of our total revenue. Revenue from the Corps of Engineers totaled approximately $30.5 million or 23.4% of our total revenue and revenue from TXDOT totaled approximately $14.4 million or 11.1% of our total revenue.

A significant portion of our revenue is from federal, state or local governmental agencies in the United States. The following table represents concentrations of revenue for the years ended December 31, 2005 and 2006:

	2005		2006	
	Revenue	Percent	Revenue	Percent
	(Dollars in thousands)			
Federal Government	$ 28,214	16.9%	$ 43,682	23.8%
State Governments	40,990	24.5	29,172	15.9
Local Municipalities	37,237	22.2	59,159	32.3
Private Companies	60,874	36.4	51,265	28.0
Total	$ 167,315	100.0%	$ 183,278	100.0%

Management at each of our operating locations is responsible for developing and maintaining successful long-term relationships with customers. They build upon existing customer relationships to secure additional projects and increase revenue from our current customer base. Many of these customer relationships originated decades ago and are maintained through a partnering approach to account management which includes project evaluation and consulting, quality performance, performance measurement and direct customer contact. At each of our operating locations, management maintains a parallel focus on pursuing growth opportunities with prospective customers.

Bidding Process

Most of our contracts are obtained through competitive bidding on terms specified by the party inviting the bid. The nature of the specified services dictates the type of equipment, material and labor involved, all of which affect the cost of performing the contract and the price that marine construction service providers will bid. Contracts for projects are generally awarded to the lowest qualified bidder, provided the bid is no greater than the amount of funds that are budgeted and available for the project. If all bids are greater than the available funds then projects may be subject to rebid or cancellation as a result of budget constraints.

For contracts under its jurisdiction, the Corps of Engineers typically prepares a cost estimate based on the specifications of the project. To be successful, the Corps of Engineers must determine that the bidder is a responsible bidder (i.e., a bidder that generally has the necessary equipment and experience to successfully complete the project) and the bidder must submit the lowest responsive bid that does not exceed 125% of an estimate the Corps of Engineers determines to be fair and reasonable.

Some government contracts are awarded by a sole source procurement process through negotiation between the contractor and the government, while other projects have been recently bid through a request for proposal (RFP) process. The RFP process allows the project award to be based on the technical capability of the contractor s equipment and methodology, as well as price, and has, therefore, been advantageous to us since we have the technical engineering expertise and equipment versatility to comply with a variety of project specifications.

Contract Provisions and Independent Contractors

Our contracts with our customers are primarily fixed price. Fixed price contracts are priced on a lump-sum basis under which we bear the risk of performing all the work for the specified amount. Our contracts are generally obtained through competitive bidding in response to advertisements by federal, state and local government agencies and private parties. Less frequently, contracts may be obtained through direct negotiations. Our contract risk mitigation process includes identifying risks and opportunities during the bidding process and review of bids fitting certain criteria by various levels of management.

There are a number of factors that can create variability in contract performance and results as compared to a project s original bid. The most significant of these include the completeness and accuracy of the original bid, costs associated with added scope changes, extended overhead due to owner and weather delays, subcontractor performance issues, changes in productivity expectations, site conditions that differ from those assumed in the original bid (to the extent contract remedies are unavailable), the availability and skill level of workers in the geographic location of the project and a change in the availability and proximity of equipment and materials. All of these factors can impose inefficiencies on contract performance, which can drive up costs and lower profits. Conversely, if any of these or other factors are more positive than the assumptions in our bid, project profitability can improve.

All state and federal government contracts and most of our other contracts provide for termination of the contract for the convenience of the project owner, with provisions to pay us for work performed through the date of termination. We have not been materially adversely affected by these provisions in the past. Many of our contracts contain provisions that require us to pay liquidated damages if specified completion schedule requirements are not met and these amounts can be significant.

We act as prime contractor on most of the projects we undertake and, as such, are responsible for the performance of the entire contract. We accomplish the majority of our projects with our own resources. We occasionally use subcontractors to perform portions of our contracts and to manage work flow. In 2006, we subcontracted approximately 14% of our marine construction and specialty projects by cost to independent contractors. These independent contractors typically are sole proprietorships or small business entities. Independent contractors typically provide their own employees, vehicles, tools and insurance coverage. We are not dependent on any single independent contractor. Our contracts with our subcontractors may contain provisions limiting our obligation to pay the subcontractor if our customer has not paid us and to hold our subcontractors liable for their portion of the work. We typically require surety bonding from our subcontractors on projects for which we supply surety bonds to our customers; however, we may provide bonding for some of our qualified subcontractors. We may be subject to increased costs associated with the failure of one or more subcontractors to perform as anticipated.

Competition

We compete with several regional marine construction services companies and a few national marine construction services companies. From time-to-time, we compete with certain national land-based heavy civil contractors that have greater resources than we do. Our industry is highly fragmented with competitors generally varying within the markets we serve and with few competitors competing in all of the markets we serve or for all of the services that we provide. We believe that our turnkey capability, expertise, experience and reputation for providing safe and timely quality services, safety record and programs, equipment fleet, financial strength, surety bonding capacity, knowledge of local markets and conditions, and project management and estimating abilities allow us to compete effectively. We believe significant barriers to entry exist in the markets in which we operate, including the ability to bond large projects, maritime laws, specialized marine equipment and technical experience; however, a U.S. company that has adequate financial resources, access to technical expertise and specialized equipment may become a competitor.

Bonding

In connection with our business, we generally are required to provide various types of surety bonds that provide an additional measure of security for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends upon our capitalization, working capital, past performance, management expertise and external factors, including the capacity of the overall surety market. Surety companies consider such factors in light of the amount of our backlog that we have currently bonded and their current underwriting standards, which may change from time-to-time. The capacity of the surety market is subject to market-driven fluctuations driven primarily by the level of surety industry losses and the degree of surety market consolidation. When the surety market capacity shrinks it results in higher premiums and increased difficulty obtaining bonding, in particular for larger, more complex projects throughout the market. The bonds we provide typically are for the amount of the project and have face amounts ranging from $1.0 to $50.0 million. As of December 31, 2006, we had approximately $100.0 million in surety bonds outstanding. On December 31, 2006, we believe our capacity under our current bonding arrangement was $250.0 million in aggregate surety bonds.

Backlog

Our contract backlog represents our estimate of the revenues we expect to realize under the portion of the contracts remaining to be performed. Our backlog under contract at September 30, 2007 was approximately $115.9 million and at September 30, 2006 was approximately $80.3 million. These estimates are subject to fluctuations based upon the scope of services to be provided, as well as factors affecting the time required to complete the job. In addition, because a substantial portion of our backlog relates to government contracts, the projects that make up our backlog can be canceled at any time without penalty; however, we can generally recover actual committed costs and profit on work performed up to the date of cancellation. Consequently, backlog is not necessarily indicative of future results. We have not been materially adversely affected by contract cancellations or modifications in the past. Our backlog includes only those projects for which the customer has provided an executed contract or change order.

Trade Names

We operate under a number of trade names, including Orion Marine Group, King Fisher Marine Service, Orion Construction, Orion Diving & Salvage, Misener Marine Construction and Misener Diving & Salvage and F. Miller Construction. We do not generally register our trademarks with the Patent & Trademark Office, but instead rely on state and common law protections. While we consider our trade names to be valuable assets, we do not consider any single trademark to be of such material importance that its absence would cause a material disruption of our business.

Equipment

Our fleet, substantially all of which we own, consists of over 260 pieces of specialized equipment, including 55 spud barges and material barges, five major cutter suction dredges and three portable dredges, 49 tug boats and push boats. In addition, we have over 215 cranes and other large pieces of equipment, including 48 crawler cranes and hydraulic cranes, as well as numerous pieces of smaller equipment. We have the ability to extend the useful life of our equipment through capital refurbishment at periodic intervals. We are also capable of building, and have built, much of our highly specialized equipment. Over the five years ended December 31, 2006, we invested approximately $43.9 million in our fleet, facilities and equipment which includes the following:

> ***Barges*** Spud barges, material barges, deck barges, anchor barges and fuel barges are used to provide work platforms for cranes and other equipment, to transport materials to the project site and to provide support for the project at the project site.
>
> ***Dayboats*** Small pushboats, dredge tenders and skiffs are used to shift barges at the project site, to move personnel and to provide general support to the project site.
>
> ***Tugs*** Larger pushboats and tug boats are used to transport barges and other support equipment to and from project site.
>
> ***Dredges*** 20 cutter head suction dredge (diesel/electric), 20 cutter head suction dredges (diesel), and 12 portable cutter head suction dredges are used to provide dredging service at the project site.

Cranes Crawler lattice boom cranes with lift capability from 50 tons to 250 tons and hydraulic rough terrain cranes with lift capability from 15 tons to 60 tons are used to provide lifting and pile driving capabilities on the project site, and to provide bucket work, including mechanical dredging and dragline work, to the project site.

We believe that our equipment generally is well maintained and suitable for our current operations. Most of our fleet is serviced by our own mechanics who work at various maintenance sites and facilities, including our dry dock

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facilities. Our strategy is to move our fleet from region-to-region as our projects require. We have pledged our owned equipment as collateral under our credit facility.

Equipment Certification

Some of our equipment requires certification by the U.S. Coast Guard and, where required, our vessels permissible loading capacities require certification by the American Bureau of Shipping (ABS). ABS is an independent classification society which certifies that certain of our larger, seagoing vessels are in-class, signifying that the vessels have been built and maintained in accordance with ABS rules and the applicable U.S. Coast Guard rules and regulations. Many projects, such as beach nourishment projects with offshore sand requirements, dredging projects in exposed entrance channels, and dredging projects with offshore disposal areas, are restricted by federal regulations to be performed only by dredges or scows that have U.S. Coast Guard certification and a load line established by the ABS. All of our vessels that are required to be certified by ABS have been certified as in-class. These certifications indicate that the vessels are structurally capable of operating in open waters and enhance the mobility of our fleet.

Properties

Our corporate headquarters is located at 12550 Fuqua, Houston, Texas 77034, with 16,440 square feet of office space that we lease, with an initial term expiring July 12, 2015 and with two five year extensions at our option. Our finance, human resources, marketing and executive offices are located at this facility, along with operating personnel. As of September 30 2007, we owned or leased the following additional facilities:

Location	Type of Facility	Size	Leased or Owned	Expiration of Lease
159 Highway 316 Port Lavaca, Texas	Waterfront maintenance and dock facilities, equipment yard and dry dock; regional office	17.5 acres	Owned	N/A
17140 Market Street Channelview, Texas	Waterfront maintenance and dock facilities, and equipment yard	23.7 acres	Owned	N/A
5600 West Commerce Street Tampa, Florida	Waterfront maintenance and dock facilities, equipment yard and dry dock; regional office	9.1 acres	Owned	N/A
5121 Highway 90 East Lake Charles, Louisiana	Land based equipment yard and maintenance facility; regional office	8.9 acres	Leased	August 31, 2008, with 4 one-year extensions at our option
6821 Southpoint Drive North Suite 221 Jacksonville, Florida	Regional office	1,152 square feet	Leased	September 30, 2007, renewable for 6-month intervals
	Safe Harbor	6.6 acres	Leased	March 31, 2012

City of Port Lavaca Port Commission Port Lavaca, Texas				
1500 Main Street Ingleside, Texas	Regional office	4 acres	Leased	May 1, 2009
5440 W. Tyson Avenue Tampa, Florida 33611	Regional office	6,160 square feet	Leased	May 31, 2010

We believe that our existing facilities are adequate for our operations. We do not believe that any single facility is material to our operations and, if necessary, we could readily obtain a replacement facility. Our real estate assets are pledged to secure our credit facility.

Training, Quality Assurance and Safety

Performance of our services requires the use of heavy equipment and exposure to potentially dangerous conditions. Our domestic vessel operations are primarily regulated by the U.S. Coast Guard for occupational and health and safety standards. Our domestic shore operations are subject to the requirements of the federal Occupational Safety and Health Act (OSHA) and comparable state laws that regulate the protection of the

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health and safety of employees. In addition, OSHA s hazard communication standard requires that information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with these U.S. Coast Guard and OSHA requirements.

We are committed to a policy of operating safely and prudently, and our safety record reflects this focus. We have established company-wide training and educational programs, as well as comprehensive safety policies and regulations, by sharing best practices throughout our operations. As is common in our industry, we may be subject to claims by employees, customers and third parties for property damage and personal injuries.

Risk Management and Insurance

We are committed to ensuring that our employees perform their work safely. We regularly communicate with our employees to promote safety and to instill safe work habits. We have policies or agreements to insure us for workers compensation, Jones Act and Longshore and Harbor Workers compensation, employer liability and general liability, subject to a deductible of $0 to $100,000 per occurrence. Our workers compensation and insurance expenses have been increasing for several years, notwithstanding our improving safety record. Because of the deductibles described above and the rising cost of insurance, we have a direct incentive to minimize claims. The nature and frequency of employee claims directly affects our operating performance. In addition, many of our customer contracts require us to maintain specific insurance coverage.

The Company maintains insurance coverage for its business and operations. Insurance related to property, equipment, automobile, general liability, and a portion of workers compensation is provided through traditional policies, subject to a deductible. A portion of the Company s workers compensation exposure is covered through a mutual association, which is subject to supplemental calls.

The Company maintains two levels of excess loss insurance coverage, $20 million in excess of primary coverage and $10 million in excess of the $20 million, which excess loss coverage responds to all of the Company s insurance policies other than a portion of its Workers Compensation coverage and employee health care coverage. Our primary excess loss coverage responds to most of our policies when a primary limit of $1 million has been exhausted; provided that the primary limit for our Maritime Employer s Liability Policy is $10 million and for our Watercraft Pollution Policy is $5 million.

Separately, the Company s employee health care insurance is provided through a trust, administered by a third party. The Company funds the trust based on current claims. The administrator has purchased appropriate stop-loss coverage.

Losses on these policies up to the deductible amounts are accrued based upon known claims incurred and an estimate to claims incurred but not reported. The accruals are derived from actuarial studies, known facts, historical trends and industry averages utilizing the assistance of an actuary to determine the best estimate of the ultimate expected loss.

We believe such accruals to be accurate. However, self-insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. Therefore, if actual experience differs from the assumptions used in the actuarial valuation, adjustments to the reserve may be required and would be recorded in the period that the experience becomes known.

Many of our employees are covered by federal maritime law, including provisions of the Jones Act, the Longshore and Harbor Workers Act and the Seaman s Wage Act. These laws typically operate to make liability limits established by state workers compensation laws inapplicable to these employees and to permit these employees and their representatives to pursue actions against employers for job-related injuries in federal courts. Because we are not generally protected by the limits imposed by state workers compensation statutes, we have greater exposure for claims made by these employees as compared to employers whose employees are not covered by these provisions.

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Government Regulations

Our operations are subject to compliance with regulatory requirements of federal, state and local government agencies and authorities including the following:

- regulations concerning workplace safety, labor relations and disadvantaged businesses;
- licensing requirements applicable to shipping and dredging; and
- permitting and inspection requirements applicable to marine construction projects.

We believe that we are in material compliance with applicable regulatory requirements and have all material licenses required to conduct our operations. Our failure to comply with applicable regulations could result in substantial fines and/or revocation of our operating licenses.

We are subject to government regulations pursuant to the Dredging Act, the Jones Act, the Shipping Act and the Vessel Documentation Act. These statutes require vessels engaged in the transport of merchandise or passengers between two points in the U.S. or dredging in the navigable waters of the U.S. to be documented with a coastwise endorsement, to be owned and controlled by U.S. citizens, to be manned by U.S. crews, and to be built in the U.S. The U.S. citizenship ownership and control standards require the vessel-owning entity to be at least 75% U.S.-citizen owned, and prohibit the demise or bareboat chartering of the vessel to any entity that does not meet the 75% U.S. citizen ownership test. These statutes, together with similar requirements for other sectors of the maritime industry, are collectively referred to as cabotage laws.

Environmental Matters

General. Our marine infrastructure construction, salvage, demolition, dredging and dredge material disposal activities are subject to stringent and complex federal, state, and local laws and regulations governing environmental protection, including air emissions, water quality, solid waste management, marine and bird species and their habitats, and wetlands. Such laws and regulations may require that we or our customers obtain, and that we comply with, various environmental permits, registrations, licenses and other approvals. These laws and regulations also can restrict or impact our business activities in many ways, such as delaying the appropriation and performance of particular projects; restricting the way we handle or dispose of wastes; requiring remedial action to mitigate pollution conditions that may be caused by our operations or that are attributable to others; and enjoining some or all of our operations deemed in non-compliance with environmental laws and regulations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and/or criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining future operations.

We believe that compliance with existing federal, state and local environmental laws and regulations will not have a material adverse effect on our business, results of operations, or financial condition. We do not believe that material capital expenditures will be required for environmental controls in the near term. Nevertheless, the trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. As a result, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. The following is a discussion of the environmental laws and regulations that may have a material effect on us.

Waste Management. Our operations generate hazardous and non-hazardous solid wastes that are subject to the federal Resource Conservation and Recovery Act (RCRA) and comparable state laws, which impose detailed requirements for the handling, storage, treatment and disposal of hazardous and non-hazardous solid wastes. Under the auspices of the U.S. Environmental Protection Agency (EPA), the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own more stringent requirements. Generators of hazardous wastes must comply with certain standards for the accumulation and storage of hazardous wastes, as well as recordkeeping and reporting requirements applicable to hazardous waste storage and disposal activities.

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Site Remediation. The Comprehensive, Environmental Response, Compensation and Liability Act (CERCLA), also known as Superfund, and comparable state laws and regulations impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances into the environment. Such classes of persons include the current and past owners or operators of sites where a hazardous substance was released, and companies that disposed or arranged for the disposal of hazardous substances at offsite locations, such as landfills. CERCLA authorizes the EPA, and in some cases third parties, to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In addition, neighboring landowners and other third parties often file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

We currently own or lease properties that have or may have been used by other industries for a number of years. Although we typically have used operating and disposal practices that were standard in the industry at the time, wastes may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where such substances have been taken for disposal. In addition, some of the properties may have been operated by third parties or by previous owners whose treatment and disposal or release of wastes was not under our control. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove or remediate previously disposed wastes or property contamination, or to perform remedial activities to prevent future contamination.

Water Discharges. The Federal Water Pollution Control Act, also known as the Clean Water Act (CWA), and analogous state laws impose strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the U.S., including wetlands. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA also regulates the discharge of dredged or fill material into waters of the U.S., and activities that result in such discharge generally require permits issued by the Corps of Engineers. Under the CWA, federal and state regulatory agencies may impose administrative, civil and/or criminal penalties for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

The Oil Pollution Act of 1990 (OPA), which amends and augments the CWA, establishes strict liability for owners and operators of facilities that are the site of a release of oil into waters of the U.S. OPA and its associated regulations impose a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills. For instance, OPA requires vessel owners and operators to establish and maintain evidence of financial responsibility sufficient to cover liabilities related to an oil spill for which such parties are statutorily responsible. We believe we are in compliance with all applicable OPA financial responsibility obligations. In addition, while OPA 90 requires that certain vessels be outfitted with double hulls by 2015, given the make up and expected make up of our fleet of vessels, we do not expect to incur material expenditures to meet these requirements.

Air Emissions. The Clean Air Act (CAA) and comparable state laws restrict the emission of air pollutants from many sources, including paint booths, require pre-approval for the construction or modification of certain facilities expected to produce air emissions, impose stringent air permit requirements and require, in certain instances, the utilization of specific equipment or technologies to control emissions. We believe that our operations are in substantial compliance with the CAA.

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases and including carbon dioxide and methane, may be contributing to warming of the Earth s atmosphere. In response to such studies, the U.S. Congress is actively considering legislation to reduce emissions of greenhouse gases. In addition, several states have declined to wait on Congress to develop and implement climate control legislation and have already taken legal measures to reduce emissions of greenhouse gases. For instance, at least nine states in the Northeast (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York and Vermont) and five states in the West (Arizona, California, New Mexico, Oregon and Washington) have passed laws, adopted regulations or undertaken regulatory initiatives to reduce the emission of

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greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Also, as a result of the U.S. Supreme Court s decision on April 2, 2007 in *Massachusetts, et al. v. EPA*, the EPA may be required to regulate greenhouse gas emissions from mobile sources (*e.g.*, cars and trucks) even if Congress does not adopt new legislation specifically addressing emissions of greenhouse gases. Other nations have already agreed to regulate emissions of greenhouse gases pursuant to the United Nations Framework Convention on Climate Change, also known as the Kyoto Protocol, an international treaty pursuant to which participating countries (not including the United States) have agreed to reduce their emissions of greenhouse gases to below 1990 levels by 2012. Passage of climate control legislation or other regulatory initiatives by Congress or various states of the U.S., or the adoption of regulations by the EPA and analogous state agencies that restrict emissions of greenhouse gases in areas in which we conduct business could have an adverse affect on our operations and demand for our services.

Endangered Species. The Endangered Species Act (ESA) restricts activities that may affect endangered species or their habitats. We conduct activities in or near areas that may be designated as habitat for endangered or threatened species. For instance, seasonal observation of endangered or threatened West Indian Manatees adjacent to work areas may impact construction operations within our Florida market. Manatees generally congregate near warm water sources during the cooler winter months. Additionally, our dredging operations in the Florida market are impacted by limitations for placement of dredge spoil materials on designated spoil disposal islands, from April through August of each year, when the islands are inhabited by nesting colonies of protected bird species. Further, restrictions on work during the Whooping Crane nesting period in the Aransas Pass National Wildlife Refuge from October 1 through April 15 each year and during the non-dormant grass season for sea grass in the Laguna Madre from March 1 through November 30 each year impact our construction operations in the Texas Gulf Coast market. We plan our operations and bidding activity with these restrictions and limitations in mind, and they have not materially hindered our business in the past. However, these and other restrictions may affect our ability to obtain work or to complete our projects on time in the future. In addition, while we believe that we are in material compliance with the ESA, the discovery of previously unidentified endangered species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected area.

Employees

As of September 30, 2007, we had 893 employees, 193 of whom were full-time salaried personnel and most of the remainder of which are hourly personnel. We will hire additional employees for certain large projects and, subject to local market conditions, additional crew members are generally available for hire on relatively short notice. Our employees are not represented by any labor unions. We consider our relations with our employees to be good.

Legal Proceedings

Although we are subject to various claims and legal actions that arise in the ordinary course of business, except as described below, we are not currently a party to any material legal proceedings or environmental claims.

We have been named as one of numerous defendants in various individual claims and lawsuits brought in the United States District Court for the Eastern District of Louisiana by or on behalf of the residents and landowners of New Orleans, Louisiana and surrounding areas. These suits have been classified as a subcategory of suits under the more expansive proceeding, *In re Canal Breaches Consolidation Litigation*, Civil Action No. 05-4182, (E.D. La.), which was instituted in late 2005. While not technically class actions, the individual claims and lawsuits are being prosecuted in a manner similar to that employed for federal class actions. The claims are based on flooding and related damage from Hurricane Katrina. In general, the claimants state that flooding and related damage resulted from the failure of certain aspects of the levee system constructed by the Corps of Engineers, and the claimants seek recovery of alleged general and special damages.

The Corps of Engineers has contracted with various private dredging companies, including us, to perform maintenance dredging of relevant waterways. Based on the recent decision of the trial court (*In re Canal Breaches Consolidation Litigation*, Civil Action No: 05-4182, *Order and Reasons,* March 9, 2007 (E.D. La, 2007)), we

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believe that we will not have liability under these claims unless we deviated from our contracted scope of work on a project. In June of this year, however, the plaintiffs appealed this decision to the United States Court of Appeals for the Fifth Circuit, where the appeal is currently pending. Substantive proceedings in the appeals case have yet to commence. Additionally, plaintiffs in other cases included in this subcategory of suits continue to seek trial court determinations contrary to those reached in the Order and Reasons described above.

The plaintiffs in the pending lawsuit have not specified the amount of damages claimed. Furthermore, as a matter arising in admiralty, which is subject to statutory limitations provided under the Limitation of Liability Act (46 U.S.C. section 30505), we believe that our liability is limited to the value of our vessels involved in the dredging work. In addition, we maintain insurance which should cover any liability that may be incurred, further limiting our potential exposure. Therefore,we believe that our exposure is limited to our deductible under this insurance policy, which is $100,000, of which approximately $32,000 remains before insurance coverage would commence.

From time-to-time, we are a party to various other lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings, we accrue reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on our results of operations, cash flows, or on our financial condition.

MANAGEMENT

Directors

Set forth below are the names, ages and positions of our directors as of the date of this prospectus, as well as the year each director was first elected or appointed. Our amended and restated certificate of incorporation and our bylaws provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. All directors serve until their successors are elected and qualified. See Board of Directors below and Description of Capital Stock Anti-Takeover Effects of Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws Charter and Bylaws Provisions for more information. In addition, all current directors are U.S. citizens. See Description of Capital Stock Restrictions on Ownership and Transfer Restrictions on Foreign Ownership.

Name	Age	Class(1)	Year First Elected or Appointed	Position with the Company
J. Michael Pearson	60	II	2006	President, Chief Executive Officer and Director,
Thomas N. Amonett	63	I	2007	Director
Richard L. Daerr, Jr.	63	II	2007	Chairman of the Board of Directors
Austin J. Shanfelter	50	III	2007	Director
Gene Stoever	69	III	2007	Director

(1) Class I term expires in 2008; Class II term expires in 2009; and Class III term expires in 2010.

The following are biographical summaries, including the experience, of those individuals who serve as members of our board of directors:

J. Michael Pearson Mr. Pearson has served as our President and Chief Executive Officer and as one of our directors since November 2006. Mr. Pearson joined us as Chief Operating Officer in March 2006 from Global Industries, Inc. (Nasdaq: GLBL), an offshore marine construction company, where he served as Chief Operating Officer from May 2002 to November 2005 and Senior Vice President, Strategic Planning from February 2002 to May 2002. Prior to joining Global Industries, Inc., Mr. Pearson served as a General Manager for Enron Engineering and Construction Co. from 2000 to 2001. Prior to that position, Mr. Pearson served as Executive Vice President for Transoceanic Shipping Co. in 1999 and President and Chief Executive Officer for International Industrial Services, Inc. from 1997 to 1999. From 1973 to 1997, Mr. Pearson served in various management capacities at McDermott International, Inc. (NYSE: MDR), including as Vice President and General Manager. Mr. Pearson is a Registered Professional Engineer in Louisiana and Texas.

Thomas N. Amonett Mr. Amonett has been a member of our board since May 2007. He has been President, Chief Executive Officer and a director of Champion Technologies, Inc., a manufacturer and distributor of specialty chemicals and related services primarily to the oil and gas industry, since 1999. From November 1998 to June 1999, he was President, Chief Executive Officer and a director of American Residential Services, Inc., a company providing equipment and services relating to residential heating, ventilating, air conditioning, plumbing, electrical and indoor air quality systems and appliances. From July 1996 until June 1997, Mr. Amonett was Interim President and Chief Executive Officer of Weatherford Enterra, Inc., an energy services and manufacturing company. Mr. Amonett also served as the chairman of the board of TODCO, a provider of contract oil and gas drilling services primarily in the

U.S. Gulf of Mexico shallow water and inland marine region from 2005 to 2007. He joined the Board of Hercules Offshore, Inc., a provider of contract oil and gas drilling services and liftboat services, on July 11, 2007, where he is serving on the Nominating and Corporate Governance committee, he is a director of Reunion Industries Inc. (AMEX: RUN), a specialty manufacturing company, serving since 1992, where he currently serves on the compensation and audit committees; and a director of Bristow Group Inc. (NYSE: BRS), a global provider of helicopter services, since 2006, where he currently serves on the audit committee and executive compensation committee.

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Richard L. Daerr, Jr. Mr. Daerr has served as Chairman of the board since May 2007. Mr. Daerr is President of RK Enterprises a firm he founded in 1997 that assists companies and investor groups in developing and implementing strategic plans and initiatives focused primarily on the energy, biotechnology, engineering and construction and pharmaceuticals industries. From 1994 to 1996, Mr. Daerr served as President and Chief Executive Officer of Serv-Tech, Inc., an industrial services company that was listed on the Nasdaq. Mr. Daerr worked for CRSS, Inc. from 1979 to 1992 where he served as the President and Chief Operating Officer from 1990 to 1992. Prior to being acquired in 1995, CRSS, Inc. was a NYSE listed company and one of the largest engineering, architectural and construction management companies in the U.S. as well as one of the largest power producers in the U.S. Mr. Daerr has served on the boards of several private and public companies.

Austin J. Shanfelter Mr. Shanfelter has been a member of our board since May 2007 and has served as chairman of our compensation committee since May 2007. He serves as a member of the board of directors of MasTec, Inc. (NYSE: MTZ), a publicly traded specialty contractor, and as a special consultant. Mr. Shanfelter served as Chief Executive Officer and President of MasTec from August 2001 until April 2007. From February 2000 until August 2001, Mr. Shanfelter was MasTec s Chief Operating Officer. Prior to being named Chief Operating Officer, he served as President of one of their service offerings from January 1997. Mr. Shanfelter has been in the telecommunications infrastructure industry since 1981. Mr. Shanfelter currently serves as President of the Power and Communications Contractors Association (PCCA), an industry trade group, and has been a member of its board of directors since 1993. He is also the chairman of the Cable Television Contractors Council of the PCCA. Mr. Shanfelter has also been a member of the Society of Cable Television Engineers since 1982 and the National Cable Television Association since 1991.

Gene Stoever Mr. Stoever has been a member of our board since May 2007 and has served as chairman of our audit committee since May 2007. He was an audit partner with KPMG LLP from 1969 until his retirement in 1993. During his 32-year tenure with KPMG, he served domestic and multinational clients engaged in the manufacturing, refining, oil and gas, distribution, real estate and banking industries, as well as serving as SEC Reviewing Partner responsible for advising and reviewing client filings with the SEC. Mr. Stoever currently serves as chairman of the audit committee of the board of directors of Propex, Inc. and Evolution Petroleum Corp. (AMEX: EPM) and previously served on the boards, and as chairman of the audit committee, of Purina Mills, Sterling Diagnostic Imaging and Exopack, LLC. Mr. Stoever is a Certified Public Accountant in Texas and a member of the Texas Society of Public Accountants.

Executive Officers

Set forth below is a list of the names, ages and positions of our executive officers as of the date of this prospectus. All executive officers hold office until their successors are elected and qualified.

Name	Age	Position with the Company/Subsidiary
J. Michael Pearson	60	President, Chief Executive Officer and Director,
Mark R. Stauffer	45	Vice President and Chief Financial Officer
Elliott J. Kennedy	53	Vice President
James L. Rose	42	President Misener Marine Construction, Inc.
J. Cabell Acree, III	48	Vice President, General Counsel and Secretary

The following are biographical summaries of our executive officers (other than our chief executive officer, whose biographical summary is shown above):

Mark R. Stauffer Mr. Stauffer has served as our Chief Financial Officer since 2004 and served as Secretary from 2004 until August 31, 2007. Mr. Stauffer served as our Chief Financial Officer and Vice President from 1999, when he joined us, to October 2004. Prior to joining us, Mr. Stauffer served in various capacities at Coastal Towing, Inc. from 1986 to 1999, including Vice President & Chief Financial Officer, Vice President-Finance, Controller, Accounting Manager and Staff Accountant. Mr. Stauffer is a Certified Public Accountant.

Elliott J. Kennedy Mr. Kennedy has served as Vice President since 1994. From 1992 to 1994, Mr. Kennedy served as Project Manager for Triton Marine. Prior to joining Triton, Mr. Kennedy served as Estimator/Project Manager for the Insite Division of Nustone Surfacing, Inc. From 1983 to 1989, he was Owner/Project Manager/

Estimator of E.J. Kennedy Design Construction. From 1980 to 1983, Mr. Kennedy was Project Manager/Superintendent for Infinity Construction.

James L. Rose Mr. Rose was named President of Misener Marine Construction, Inc. in 2006. Prior to this position, Mr. Rose served as Area Manager for Jacksonville for Misener Marine from 2005 to 2006. From 2002 to 2005, Mr. Rose served as Project Engineer and Project Manager for Granite Construction Company. From 2001 to 2002, Mr. Rose served as Project Engineer and Project Manager for Misener Marine.

J. Cabell Acree, III Mr. Acree joined us on August 13, 2007 as our Vice President and General Counsel, and has been serving as our Secretary since August 31, 2007. Prior to joining us, Mr. Acree served as Senior Vice President, General Counsel and Secretary of Exopack, LLC from 2002 to 2006; Senior Counsel to PCS Nitrogen, Inc. from 1997 to 2002; Assistant General Counsel to Arcadian Corporation from 1994 to 1997; and as an associate attorney with Bracewell and Giuliani from 1985 to 1993.

Board of Directors

The number of members of our board of directors will be determined from time-to-time by resolution of the board of directors. Our board of directors currently consists of five persons.

Our restated certificate of incorporation and bylaws provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. As a result, stockholders will elect a portion of our board of directors each year. Class I directors terms will expire at the annual meeting of stockholders to be held in 2008, Class II directors terms will expire at the annual meeting of stockholders to be held in 2009 and Class III directors terms will expire at the annual meeting of stockholders to be held in 2010. The Class I director is Mr. Amonett, the Class II directors are Messrs. Pearson and Daerr, and the Class III directors are Messrs. Stoever and Shanfelter. At each annual meeting of stockholders held after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election until the third annual meeting following election. The division of our board of directors into three classes with staggered terms may delay or prevent a change of our management or a change in control. See Description of Capital Stock Anti-Takeover Effects of Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws Charter and Bylaw Provisions Classified Board.

In addition, our restated bylaws provide that the authorized number of directors, which shall constitute the whole board of directors, may be changed by resolution duly adopted by the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors. Vacancies and newly created directorships may be filled by the affirmative vote of a majority of our directors then in office, even if less than a quorum.

Code of Conduct

Our Board has adopted, as part of the Orion Marine Group, Inc. Code of Business Conduct and Ethics (the Code of Conduct), a series of corporate governance principles applicable to all our employees, officers and directors, designed to affirm our high standards of business conduct and to emphasize the importance of integrity and honesty in the conduct of our business. We believe that the ethical foundations outlined in these corporate governance principles and other provisions of the Code of Conduct are critical to our ongoing success. The Code of Conduct will be distributed to all of our employees.

The Code of Conduct is to promote, among other matters, the following conduct:

engage in honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;

avoid conflicts of interest, including disclosure of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;

ensure that the disclosure in reports and documents that we file with the SEC and in our other public communications is full, fair, accurate, timely, and understandable;

comply with applicable governmental laws, rules, and regulations;

promptly report internally all violations of the Code of Conduct;