US CONCRETE INC
Form 10-Q
August 07, 2009

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2009

Commission File Number 000-26025

U.S. CONCRETE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

IRS Employer Identification No. 76-0586680

2925 Briarpark, Suite 1050
Houston, Texas 77042
(Address of principal executive offices, including zip code)
(713) 499-6200
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web Site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).
Large accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨ Smaller Reporting Company ¨

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

As of the close of business on August 6, 2009, U.S. Concrete, Inc. had 37,332,883 shares of its common stock, $0.001 par value, outstanding (excluding treasury shares of 548,112).

U.S. CONCRETE, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,468	$ 5,323
Trade accounts receivable, net	90,920	100,269
Inventories	31,311	32,768
Deferred income taxes	14,679	11,576
Prepaid expenses	5,276	3,519
Other current assets	10,513	13,801
Total current assets	157,167	167,256
Property, plant and equipment, net	266,211	272,769
Goodwill	62,793	59,197
Other assets	7,402	8,588
Total assets	$ 493,573	$ 507,810
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 10,994	$ 3,371
Accounts payable	37,756	45,920
Accrued liabilities	56,113	54,481
Total current liabilities	104,863	103,772
Long-term debt, net of current maturities	300,071	302,617
Other long-term obligations and deferred credits	8,565	8,522
Deferred income taxes	14,201	12,536
Total liabilities	427,700	427,447
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock	–	–
Common stock	38	37
Additional paid-in capital	266,951	265,453
Retained deficit	(206,012)	(192,564)
Treasury stock, at cost	(3,277)	(3,130)
Total stockholders' equity	57,700	69,796
Non-controlling interest (Note 1)	8,173	10,567
Total equity	65,873	80,363
Total liabilities and equity	$ 493,573	$ 507,810

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

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U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenue	$ 143,726	$ 206,047	$ 261,026	$ 368,154
Cost of goods sold before depreciation, depletion and amortization	120,589	170,410	224,111	311,701
Selling, general and administrative expenses	17,607	17,642	33,685	35,773
Depreciation, depletion and amortization	7,450	7,035	14,906	13,913
Income (loss) from operations	(1,920)	10,960	(11,676)	6,767
Interest expense, net	6,562	6,668	13,330	13,374
Gain on purchases of senior subordinated notes	2,913	—	7,406	—
Other income, net	341	428	690	1,050
Income (loss) from continuing operations before income taxes	(5,228)	4,720	(16,910)	(5,557)
Income tax expense (benefit)	(431)	2,202	(1,068)	(902)
Income (loss) from continuing operations	(4,797)	2,518	(15,842)	(4,655)
Loss from discontinued operations (net of tax benefit of $0 and $81in 2008)	—	—	—	(149)
Net income (loss)	(4,797)	2,518	(15,842)	(4,804)
Net loss attributable to non-controlling interest	803	785	2,394	2,829
Net income (loss) attributable to stockholders	$ (3,994)	$ 3,303	$ (13,448)	$ (1,975)
Earnings (loss) per share attributable to stockholders – basic				
Income (loss) from continuing operations	$ (0.11)	$ 0.09	$ (0.37)	$ (0.05)
Loss from discontinued operations, net of income tax benefit	—	—	—	—
Net income (loss)	$ (0.11)	$ 0.09	$ (0.37)	$ (0.05)
Earnings (loss) per share attributable to stockholders – diluted				
Income (loss) from continuing operations	$ (0.11)	$ 0.08	$ (0.37)	$ (0.05)
Loss from discontinued operations, net of income tax benefit	—	—	—	—
Net income (loss)	$ (0.11)	$ 0.08	$ (0.37)	$ (0.05)
Weighted average shares outstanding:				
Basic	36,099	38,709	36,061	38,655
Diluted	36,099	39,340	36,061	38,655

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

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U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)
(in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Deficit	Treasury Stock	Non-Controlling Interest	Total Equity
BALANCE, December 31, 2008	36,793	$ 37	$ 265,453	$ (192,564)	$ (3,130)	$ 10,567	$ 80,363
Stock-based compensation	497	1	1,210	—	—	—	1,211
Employee purchase of ESPP shares	171	—	288	—	—	—	288
Acquisition of treasury shares	(89)	—	—	—	(147)	—	(147)
Cancellation of shares	(39)	—	—	—	—	—	—
Net loss	—	—	—	(13,448)	—	(2,394)	(15,842)
BALANCE, June 30, 2009	37,333	$ 38	$ 266,951	$ (206,012)	$ (3,277)	$ 8,173	$ 65,873

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

U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (15,842)	$ (4,804)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	14,906	13,913
Debt issuance cost amortization	812	821
Gain on purchases of senior subordinated notes	(7,406)	–
Net gain on sale of assets	(836)	(586)
Deferred income taxes	(1,438)	(1,584)
Provision for doubtful accounts	1,767	698
Stock-based compensation	1,211	1,457
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	7,582	(10,760)
Inventories	1,457	(1,913)
Prepaid expenses and other current assets	1,531	2,443
Other assets and liabilities	23	220
Accounts payable and accrued liabilities	(5,739)	9,595
Net cash provided by (used in) operating activities	(1,972)	9,500
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, net of disposals	(6,510)	(9,441)
Payments for acquisitions	(5,214)	(16,835)
Disposal of business unit	–	7,583
Other investing activities	–	170
Net cash used in investing activities	(11,724)	(18,523)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	95,406	6,282
Repayments of borrowings	(77,896)	(2,657)
Purchases of senior subordinated notes	(4,810)	–
Purchase of treasury shares	(147)	(620)
Proceeds from issuances of common stock under compensation plans	288	377
Other financing activities	–	(10)
Net cash provided by financing activities	12,841	3,372
NET DECREASE IN CASH AND CASH EQUIVALENTS	(855)	(5,651)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,323	14,850
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,468	$ 9,199

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

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of U.S. Concrete, Inc. and its subsidiaries and have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). We include in our condensed consolidated financial statements the results of operations, balance sheets and cash flows of our 60%-owned Michigan subsidiary, Superior Materials Holdings, LLC ("Superior"). We reflect the minority owner's 40% interest in income, net assets and cash flows of that subsidiary as non-controlling interest in our condensed consolidated financial statements. Some information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the SEC's rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our annual report on Form 10-K for the year ended December 31, 2008 (the "2008 Form 10-K"). In the opinion of our management, all adjustments necessary to state fairly the information in our unaudited condensed consolidated financial statements have been included. Operating results for the three and six month periods ended June 30, 2009 are not necessarily indicative of our results expected for the year ending December 31, 2009. We have made certain reclassifications to prior period amounts to conform to the current period presentation in accordance with Statement of Financial Accounting Standard ("SFAS") No. 160, "Noncontrolling Interests in Consolidated Financial Statements."

The preparation of financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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. Estimates and assumptions that we consider significant in the preparation of our financial statements include those related to our allowance for doubtful accounts, goodwill, accruals for self-insurance, income taxes, reserves for inventory obsolescence and the valuation and useful lives of property, plant and equipment.

We evaluated subsequent events through August 7, 2009, the date we filed our report on Form 10-Q for the quarter ended June 30, 2009 with the SEC, and have no material subsequent events to report.

2. SIGNIFICANT ACCOUNTING POLICIES

For a description of our accounting policies, see Note 1 of the consolidated financial statements in the 2008 Form 10-K, as well as Note 12 below.

3. DISCONTINUED OPERATIONS

In the first quarter of 2008, we sold our ready-mix concrete business unit headquartered in Memphis, Tennessee. This unit was part of our ready-mixed concrete and concrete-related products segment. We classified this business unit as discontinued operations beginning in the fourth quarter of 2007, and we have presented the results of operations, net of tax, as discontinued operations in the accompanying condensed consolidated statements of operations. The results of discontinued operations included in the accompanying condensed consolidated statements of operations were as follows for the six month period ended June 30, 2008 (in thousands):

	Six Months Ended June 30, 2008
Revenue	$ 671
Operating expenses	1,395

Gain on disposal of assets		494
Loss from discontinued operations, before income tax benefit		(230)
Income tax benefits from discontinued operations		(81)
Loss from discontinued operations, net of tax	$	(149)

4. BUSINESS COMBINATIONS AND GOODWILL

In May 2009, we acquired substantially all of the assets of a concrete recycling business in Queens, New York. We used borrowings under our revolving credit facility to fund the cash purchase price of approximately $4.5 million. This acquisition resulted in an increase in goodwill of approximately $3.6 million.

In November 2008, we acquired a ready-mixed concrete plant and related inventory in Brooklyn, New York. We used borrowings under our revolving credit facility to fund the cash purchase price of approximately $2.5 million.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

In August 2008, we acquired a ready-mixed concrete operation in Mount Vernon, New York and a precast concrete product operation in San Diego, California. We used cash on hand to fund the purchase prices of $2.0 million and $2.5 million, respectively.

In June 2008, we acquired nine ready-mixed concrete plants, together with related real property, rolling stock and working capital, in our west Texas market from another ready-mixed concrete producer for approximately $13.5 million. We used cash on hand and borrowings under our existing credit facility to fund the purchase price.

In May 2008, we paid $1.4 million of contingent purchase consideration related to real estate acquired pursuant to the acquisition of Builders' Redi-Mix, Inc. in January 2003.

In January 2008, we acquired a ready-mixed concrete operation in Staten Island, New York. We used cash on hand to fund the purchase price of approximately $1.8 million.

In October 2007, we acquired the operating assets, including working capital and real property, of Architectural Precast, LLC ("API"), a leading designer and manufacturer of premium quality architectural and structural precast concrete products serving the mid-Atlantic region, for approximately $14.5 million plus a $1.5 million contingency payment based on the future earnings of API. For the twelve-month period ended September 30, 2008, API attained 50% of its established earnings target, and we made a $750,000 payment, reduced for certain uncollected pre-acquisition accounts receivable, to the sellers in the first quarter of 2009 in partial satisfaction of our contingent payment obligation.

The pro forma impacts of our 2009 and 2008 acquisitions have not been included due to the fact that they were immaterial to our financial statements individually and in the aggregate.

5. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2009	December 31, 2008
Raw materials	$ 17,672	$ 18,100
Precast products	7,475	8,353
Building materials for resale	2,906	2,922
Repair parts	3,258	3,393
	$ 31,311	$ 32,768

6. DEBT

A summary of debt is as follows (in thousands):

	June 30, 2009	December 31, 2008
Senior secured credit facility due 2011	$ 26,000	$ 11,000
8 % senior subordinated notes due 2014	271,660	283,998
Notes payable	3,191	5,411
	8,329	5,149

Superior Materials Holdings, LLC secured credit facility due 2010				
Superior Materials Holdings, LLC subordinated debt to minority partner		1,608		–
Capital leases		277		430
		311,065		305,988
Less: current maturities		10,994		3,371
	$	300,071	$	302,617

The estimated fair value of our debt at June 30, 2009 and December 31, 2008 was $217.9 million and $168.1 million, respectively.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

Senior Secured Credit Facility

On June 30, 2006, we entered into a credit agreement (the "Credit Agreement"), which amended and restated our senior secured credit agreement dated as of March 12, 2004. The Credit Agreement, as amended to date, provides for a revolving credit facility of up to $150 million, with borrowings limited based on a portion of the net amounts of eligible accounts receivable, inventory and mixer trucks. The facility is scheduled to mature in March 2011. At June 30, 2009, we had borrowings of $26.0 million under this facility. We pay interest on borrowings at either the Eurodollar-based rate ("LIBOR") plus 1.75% to 2.25% or the domestic rate (3.25% at June 30, 2009) plus 0.25% to 0.75% per annum. The rate paid over either LIBOR or the domestic rate varies depending on the level of borrowings. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility. The Credit Agreement provides that the administrative agent may, on the bases specified, reduce the amount of the available credit from time to time. Additionally, any "material adverse change" of the Company could restrict our ability to borrow under the Credit Agreement. A material adverse change is defined as a material adverse change in any of (a) the condition (financial or otherwise), business, performance, prospects, operations or properties of us and our Subsidiaries, taken as a whole, (b) our ability and the ability of our guarantors, taken as a whole, to perform the respective obligations under the Credit Agreement and ancillary documents or (c) the rights and remedies of the administrative agent, the lenders or the issuers to enforce the Credit Agreement and ancillary documents. At June 30, 2009, the amount of available credit was approximately $48.1 million, net of outstanding revolving credit borrowings of $26.0 million and outstanding letters of credit of approximately $11.5 million.

Our subsidiaries, excluding Superior and minor subsidiaries without operations or material assets, have guaranteed the repayment of all amounts owing under the Credit Agreement. In addition, we collateralized our obligations under the Credit Agreement with the capital stock of our subsidiaries, excluding Superior and minor subsidiaries without operations or material assets, and substantially all the assets of those subsidiaries, excluding most of the assets of the aggregates quarry in northern New Jersey, other real estate owned by us or our subsidiaries, and the assets of Superior. The Credit Agreement contains covenants restricting, among other things, prepayment or redemption of subordinated notes, distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also limits capital expenditures (excluding permitted acquisitions) to the greater of $45 million or 5% of consolidated revenues in the prior 12 months and will require us to maintain a minimum fixed-charge coverage ratio of 1.0 to 1.0 on a rolling 12-month basis if the available credit under the facility falls below $25 million. The Credit Agreement also provides that specified change-of-control events would constitute events of default. As of June 30, 2009, we were in compliance with our covenants under the Credit Agreement. The maintenance of a minimum fixed charge coverage ratio was not applicable as the available credit under the facility did not fall below $25.0 million.

Senior Subordinated Notes

On March 31, 2004, we issued $200 million of 8 % senior subordinated notes due April 1, 2014 (the "8 % Notes"). Interest on these notes is payable semi-annually on April 1 and October 1 of each year. We used the net proceeds of this financing to redeem our prior 12% senior subordinated notes and prepay outstanding debt under a prior credit facility. In July 2006, we issued $85 million of additional 8 % Notes.

During the first quarter of 2009, we purchased $7.4 million aggregate principal amount of our 8 % Notes in open market transactions for approximately $2.8 million plus accrued interest of approximately $0.3 million through the dates of purchase. We recorded a gain of approximately $4.5 million as a result of these open-market transactions after writing off $0.1 million of previously deferred financing costs associated with the pro-rata amount of the 8 %

Notes purchased. During the quarter ended June 30, 2009, we purchased an additional $5.0 million principal amount of our 8 % Notes for approximately $2.0 million. This resulted in a gain of approximately $2.9 million in April 2009, after writing off $0.1 million of previously deferred financing costs associated with the pro-rata amount of the 8 % Notes purchased.

All of our subsidiaries, excluding Superior and minor subsidiaries, have jointly and severally and fully and unconditionally guaranteed the repayment of the 8 % Notes.

The indenture governing the 8 % Notes limits our ability and the ability of our subsidiaries to pay dividends or repurchase common stock, make certain investments, incur additional debt or sell preferred stock, create liens or merge or transfer assets. We may redeem all or a part of the 8 % Notes at a redemption price of 104.188% for the remainder of 2009, 102.792% in 2010, 101.396% in 2011 and 100% in 2012 and thereafter. The indenture requires us to offer to repurchase (1) an aggregate principal amount of the 8 % Notes equal to the proceeds of certain asset sales that are not reinvested in the business or used to pay senior debt, and (2) all the 8 % Notes following the occurrence of a change of control. The Credit Agreement would prohibit these repurchases.

As a result of restrictions contained in the indenture relating to the 8 % Notes, our ability to incur additional debt is primarily limited to the greater of (1) borrowings available under the Credit Agreement, plus the greater of $15 million or 7.5% of our tangible assets, or (2) additional debt if, after giving effect to the incurrence of such additional debt, our earnings before interest, taxes, depreciation, amortization and certain noncash items equal or exceed two times our total interest expense.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

Superior Credit Facility and Subordinated Debt

Superior has a separate credit agreement that provides for a revolving credit facility. The credit agreement, as amended, allows for borrowings of up to $17.5 million. Borrowings under this credit facility are collateralized by substantially all the assets of Superior and are scheduled to mature on April 1, 2010. Availability of borrowings is subject to a borrowing base that is determined based on the values of net receivables, certain inventories, certain rolling stock and letters of credit. The credit agreement provides that the lender may, on the bases specified, reduce the amount of the available credit from time to time. As of June 30, 2009, there was $8.3 million in outstanding borrowings under the revolving credit facility, and the amount of available credit was approximately $4.0 million. The outstanding borrowings are included under current maturities of long-term debt on the condensed consolidated balance sheet. Letters of credit outstanding at June 30, 2009 were $2.8 million which reduces the amount available under the credit facility.

Currently, borrowings have an annual interest rate, at Superior's option, of either LIBOR plus 4.25% or prime rate (3.25% at June 30, 2009) plus 2.00%. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility.

The credit agreement contains covenants restricting, among other things Superior's distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also generally limits Superior's capital expenditures and requires the subsidiary to maintain compliance with specified financial covenants, including an affirmative covenant which requires earnings before income taxes, interest and depreciation ("EBITDA") to meet certain minimum thresholds quarterly. During the trailing twelve months ended June 30, 2009, the credit agreement required a threshold EBITDA of $(2.8) million. As of June 30, 2009, Superior was in compliance with its financial covenants under the credit agreement.

U.S. Concrete and its 100%-owned subsidiaries are not obligors under the terms of the Superior credit agreement. However, Superior's credit agreement provides that an event of default beyond a 30-day grace period under either U.S. Concrete's or Edw. C. Levy Co.'s credit agreement would constitute an event of default. Furthermore, U.S. Concrete agreed to provide or obtain additional equity or subordinated debt capital not to exceed $6.75 million through the term of the revolving credit facility to fund any future cash flow deficits, as defined in the credit agreement, of Superior. In the first quarter of 2009, U.S. Concrete provided subordinated debt capital in the amount of $2.4 million under this agreement in lieu of payment of related party payables. Additionally, the minority partner, Edw. C. Levy Co., provided $1.6 million of subordinated debt capital to fund operations. The subordinated debt with U.S. Concrete is eliminated in consolidation. There is no interest due on each note, and each note matures on May 1, 2011.

7. INCOME TAXES

We made income tax payments of approximately $0.3 million during the three and six month periods ended June 30, 2009. For the three and six month periods ended June 30, 2008, our income tax payments were approximately $0.3 million and $0.4 million, respectively.

In accordance with generally accepted accounting principles ("GAAP"), we estimate the effective tax rate expected to be applicable for the full year. We use this estimate in providing for income taxes on a year-to-date basis, which may vary in subsequent interim periods if our estimates change. Our effective tax benefit rate for the six months ended June 30, 2009 and 2008 was approximately 6.3%, and 16.2%, respectively. For the six months ended June 30, 2009, we applied a valuation allowance against certain of our deferred tax assets, including operating loss carryforwards, which reduced our effective benefit rate from the statutory rate. In accordance with GAAP, a valuation allowance is required unless it is more likely than not that future taxable income or the reversal of deferred tax liabilities will be sufficient to recover deferred tax assets. In addition, certain state taxes are calculated on bases different than pre-tax loss (such as gross receipts). This results in us recording income tax expense for these states, which also lowered the effective benefit rate for the six months ended June 30, 2009 compared to the statutory rate.

8. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

The following table presents information regarding U.S. Concrete's common stock (in thousands):

	June 30, 2009	December 31, 2008
Shares authorized	60,000	60,000
Shares outstanding at end of period	37,333	36,793
Shares held in treasury	548	459

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U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

Under our restated certificate of incorporation, we are authorized to issue 10,000,000 shares of preferred stock, $0.001 par value, none of which were issued or outstanding as of June 30, 2009 and December 31, 2008.

Treasury Stock

Employees may elect to satisfy their tax obligations on the vesting of their restricted stock by having us make the required tax payments and withhold a number of vested shares having an aggregate value on the date of vesting equal to the tax obligation. As a result of such employee elections, we withheld approximately 13,000 shares during the three months ended June 30, 2009, at a total value of approximately $25,000. For the six months ended June 30, 2009, we withheld approximately 89,000 shares with a total value of $0.1 million. We accounted for the withholding of these shares as treasury stock.

Share Repurchase Plan

On January 7, 2008, our Board of Directors approved a plan to repurchase up to an aggregate of three million shares of our common stock. The Board modified the repurchase plan in October 2008 to slightly increase the aggregate number of shares authorized for repurchase. The plan permitted the stock repurchases to be made on the open market or in privately negotiated transactions in compliance with applicable securities and other laws. As of December 31, 2008, we had repurchased and subsequently cancelled 3,148,405 shares with an aggregate value of $6.6 million and completed the repurchase program. Based on restrictions contained in our indenture governing our 8 % Notes, we are currently prohibited from making additional share repurchases.

9. SHARES USED IN COMPUTING NET INCOME (LOSS) PER SHARE

The following table summarizes the number of shares (in thousands) of common stock we have used, on a weighted-average basis, in calculating basic and diluted net income (loss) per share attributable to stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Basic weighted average common shares outstanding	36,099	38,709	36,061	38,655
Effect of dilutive stock options and awards	—	631	—	—
Diluted weighted average common shares outstanding	36,099	39,340	36,061	38,655

For the three and six month periods ended June 30, we excluded stock options and awards covering 3.0 million shares in 2009 and 2.0 million shares in 2008 from the computation of the net income (loss) per share because their effect would have been antidilutive.

10. COMMITMENTS AND CONTINGENCIES

From time to time, and currently, we are subject to various claims and litigation brought by employees, customers and other third parties for, among other matters, personal injuries, property damages, product defects and delay damages that have, or allegedly have, resulted from the conduct of our operations. As a result of these types of claims and litigation, we must periodically evaluate the probability of damages being assessed against us and the range of possible outcomes. In each reporting period, if we determine that the likelihood of damages being assessed against us is probable, and, if we believe we can estimate a range of possible outcomes, then we record a liability reflecting either the low end of our range or a specific estimate, if we believe a specific estimate to be likely based on current information. At June 30, 2009, we have accrued $3.5 million for potential damages associated with four separate class actions pending against us in Alameda Superior Court (California). The class actions were filed between April 6, 2007 and September 27, 2007 on behalf of various Central Concrete Supply Co., Inc. ("Central") ready-mixed concrete and transport drivers, alleging primarily that Central, which is one of our subsidiaries, failed to provide meal and rest breaks as required under California law. We have entered into settlements with one of the classes and a number of individual drivers. The other three classes have been consolidated and a single class was certified on July 24, 2009. Our accrual is based on prior settlement values. While there can be no assurance that we will be able to fully resolve the remaining class actions without exceeding this existing accrual, based on information available to us as of June 30, 2009, we believe our existing accrual for these matters is reasonable.

We received a letter from a multi-employer pension plan to which one of our subsidiaries is a contributing employer, providing notice that the Internal Revenue Service had denied applications by the plan for waivers of the minimum funding deficiency from prior years, and requesting payment of approximately $1.3 million in May 2008 as our allocable share of the minimum funding deficiency. We are evaluating several options to minimize our exposure, including transferring our assets and liabilities into another plan. We may receive future funding deficiency demands from this particular multi-employer pension plan, or other multi-employer plans to which we contribute. We are unable to estimate the amount of any potential future funding deficiency demands, because the actions of each of the other contributing employers in the plans has an effect on each of the other contributing employers, the development of a rehabilitation plan by the trustees and subsequent submittal to and approval by the Internal Revenue Service is not predictable, and the allocation of fund assets and return assumptions by trustees are variable, as are actual investment returns relative to the plan assumptions.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

Currently, there are no material product defects claims pending against us. Accordingly, our existing accruals for claims against us do not reflect any material amounts relating to products defects claims. While our management is not aware of any facts that would reasonably be expected to lead to material product defects claims against us that would have a material adverse effect on our business, financial condition or results of operations, it is possible that claims could be asserted against us in the future. We do not maintain insurance that would cover all damages resulting from product defects claims. In particular, we generally do not maintain insurance coverage for the cost of removing and rebuilding structures, or so-called "rip and tear" coverage. In addition, our indemnification arrangements with contractors or others, when obtained, generally provide only limited protection against product defects claims. Due to inherent uncertainties associated with estimating unasserted claims in our business, we cannot estimate the amount of any future loss that may be attributable to unasserted product defects claims related to ready-mixed concrete we have delivered prior to June 30, 2009.

We believe that the resolution of all litigation currently pending or threatened against us or any of our subsidiaries will not materially exceed our existing accruals for those matters. However, because of the inherent uncertainty of litigation, there is a risk that we may have to increase our accruals for one or more claims or proceedings to which we or any of our subsidiaries is a party as more information becomes available or proceedings progress, and any such increase in accruals could have a material adverse effect on our consolidated financial condition or results of operations. We expect in the future that we and our operating subsidiaries will from time to time be a party to litigation or administrative proceedings that arise in the normal course of our business.

We are subject to federal, state and local environmental laws and regulations concerning, among other matters, air emissions and wastewater discharge. Our management believes we are in substantial compliance with applicable environmental laws and regulations. From time to time, we receive claims from federal and state environmental regulatory agencies and entities asserting that we may be in violation of environmental laws and regulations. Based on experience and the information currently available, our management believes the possibility that these claims could materially exceed our related accrual is remote. Despite compliance and experience, it is possible that we could be held liable for future charges, which might be material, but are not currently known to us or cannot be estimated by us. In addition, changes in federal or state laws, regulations or requirements, or discovery of currently unknown conditions, could require additional expenditures.

As permitted under Delaware law, we have agreements that provide indemnification of officers and directors for certain events or occurrences while the officer or director is or was serving at our request in such capacity. The maximum potential amount of future payments that we could be required to make under these indemnification agreements is not limited; however, we have a director and officer insurance policy that potentially limits our exposure and enables us to recover a portion of future amounts that may be paid. As a result of the insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal. Accordingly, we have not recorded any liabilities for these agreements as of June 30, 2009.

We and our subsidiaries are parties to agreements that require us to provide indemnification in certain instances when we acquire businesses and real estate and in the ordinary course of business with our customers, suppliers, lessors and service providers.

Insurance Programs

We maintain third-party insurance coverage against certain risks. Under certain components of our insurance program, we share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. Generally, our deductible retentions per occurrence for auto, workers' compensation and general liability insurance programs are $1.0 million, although certain of our operations are self-insured for workers' compensation. We fund these deductibles and record an expense for expected losses under the programs. The expected losses are determined using a combination of our historical loss experience and subjective assessments of our future loss exposure. The estimated losses are subject to uncertainty from various sources, including changes in claims reporting patterns, claims settlement patterns, judicial decisions, legislation and economic conditions. Although we believe that the estimated losses we have recorded are reasonable, significant differences related to the items noted above could materially affect our insurance obligations and future expense.

Performance Bonds

In the normal course of business, we and our subsidiaries are contingently liable for performance under $40.1 million in performance bonds that various contractors, states and municipalities have required. The bonds principally relate to construction contracts, reclamation obligations and mining permits. We and our subsidiaries have indemnified the underwriting insurance company against any exposure under the performance bonds. No material claims have been made against these bonds.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

11. SEGMENT INFORMATION

We have two segments that serve our principal markets in the United States. Our ready-mixed concrete and concrete-related products segment produces and sells ready-mixed concrete, aggregates (crushed stone, sand and gravel), concrete masonry and building materials. This segment serves the following principal markets: north and west Texas, northern California, New Jersey, New York, Washington, D.C., Michigan and Oklahoma. Our precast concrete products segment produces and sells precast concrete products in select markets in the western United States and the mid-Atlantic region.

We account for inter-segment revenue at market prices. Segment operating profit (loss) consists of net revenue less operating expense, including certain operating overhead directly related to the operation of the specific segment. Corporate includes executive, administrative, financial, legal, human resources, business development and risk management activities which are not allocated to operations and are excluded from segment operating profit (loss).

The following table sets forth certain financial information relating to our continuing operations by reportable segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue:				
Ready-mixed concrete and concrete-related products	$ 131,737	$ 192,964	$ 238,734	$ 341,790
Precast concrete products	16,023	17,353	29,531	33,914
Inter-segment revenue	(4,034)	(4,270)	(7,239)	(7,550)
Total revenue	$ 143,726	$ 206,047	$ 261,026	$ 368,154
Segment Operating Profit (Loss):				
Ready-mixed concrete and concrete-related products	$ 2,373	$ 12,195	$ (2,872)	$ 11,771
Precast concrete products	635	1,706	626	3,515
Gain on purchases of senior subordinated notes	2,913	—	7,406	—
Unallocated overhead and other income	178	2,083	985	2,695
Corporate:				
Selling, general and administrative expenses	(4,765)	(4,596)	(9,725)	(10,164)
Interest expense, net	(6,562)	(6,668)	(13,330)	(13,374)
Profit (loss) from continuing operations before income taxes and non-controlling interestinterest	$ (5,228)	$ 4,720	$ (16,910)	$ (5,557)
Depreciation, Depletion and Amortization:				
Ready-mixed concrete and concrete-related products	$ 6,251	$ 6,382	$ 12,474	$ 12,611
Precast concrete products	717	534	1,444	1,058
Corporate	482	119	988	244
Total depreciation, depletion and amortization	$ 7,450	$ 7,035	$ 14,906	$ 13,913
Revenue by Product:				
Ready-mixed concrete	$ 115,638	$ 167,612	$ 211,142	$ 298,619

Precast concrete products	16,179	17,732	29,738	34,496
Building materials	2,650	5,272	4,464	8,531
Aggregates	5,796	7,309	9,223	11,406
Other	3,463	8,122	6,459	15,102
Total revenue	$ 143,726	$ 206,047	$ 261,026	$ 368,154

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

Capital Expenditures:	Three Months Ended June 30, 2009	2008	Six Months Ended June 30, 2009	2008
Ready-mixed concrete and concrete-related products	$ 2,383	$ 6,107	$ 9,010	$ 10,918
Precast concrete products	87	509	126	1,444
Total capital expenditures	$ 2,470	$ 6,616	$ 9,136	$ 12,362

Total Assets:	As of June 30, 2009	As of December 31, 2008
Ready-mixed concrete and concrete-related products	$ 375,698	$ 390,843
Precast concrete products	58,120	58,600
Corporate	59,755	58,367
Total assets	$ 493,573	$ 507,810

12. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 168, “The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162”. As prescribed in SFAS No. 168, the codification becomes the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. The codification eliminates the GAAP hierarchy contained in SFAS No. 162 and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. This will have an impact on our financial statement disclosures since all future references to authoritative accounting literature will be referenced in accordance with the codification.

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R),” and SFAS No. 166, “Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140.” SFAS No. 167 amends FASB Interpretation 46(R) to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS No. 166 amends SFAS No. 140 by removing the exemption from consolidation for Qualifying Special Purpose Entities (QSPEs). This Statement also limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. We do not expect the adoption of these standards to have any material impact on our consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events.” This Statement sets forth: 1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; 2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and 3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This Statement is effective for interim and annual periods ending after June 15, 2009. We adopted SFAS No. 165 during the quarter ended June 30, 2009 and this statement did not have an impact on our consolidated financial statements. The required disclosure under SFAS No. 165 is included in Note 1 to our consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position ("FSP") FAS 107-1 and Accounting Principles Board ("APB") 28-1, "Interim Disclosures about Fair Value of Financial Instruments." The FSP amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" to require an entity to provide disclosures about fair value of financial instruments in interim financial information. This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009. We adopted this FSP in the quarter ended June 30, 2009. There was no impact on our consolidated financial statements as it relates only to additional disclosures. The required disclosure is included in Note 6 to our consolidated financial statements.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," which replaces SFAS No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the entity acquired and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS No. 141(R) did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued FSP FAS 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies." This FSP requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with SFAS No. 5, "Accounting for Contingencies" and FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss." Further, the FASB removed the subsequent accounting guidance for assets and liabilities arising from contingencies from SFAS No. 141(R). The requirements of this FSP carry forward, without significant revision, the guidance on contingencies of SFAS No. 141, "Business Combinations", which was superseded by SFAS No. 141(R). The FSP also eliminates the requirement to disclose an estimate of the range of possible outcomes of recognized contingencies at the acquisition date. For unrecognized contingencies, the FASB requires that entities include only the disclosures required by SFAS No. 5. This FSP was adopted effective January 1, 2009. There was no impact upon adoption, and its effects on future periods will depend on the nature and significance of business combinations subject to this statement.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in computing earnings per share under the two-class method described in SFAS No. 128, "Earnings Per Share." This FSP is effective for fiscal years beginning after December 15, 2008 and is applied retrospectively. The adoption of FSP EITF 03-6-1 did not have a material impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." The new standard was intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. It was effective for our first quarter 2009 financial statements. The adoption of SFAS No. 161 did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurement. The initial application of FAS 157 is limited to financial assets and liabilities and became effective on January 1, 2008. The impact of the initial application of FAS 157 on our consolidated financial statements was not material. On January 1, 2009, we adopted FAS 157 on a prospective basis for non-financial assets and liabilities that are not measured at fair value on a recurring basis. The application of FAS 157 to our non-financial assets and liabilities will primarily be limited to assets acquired and liabilities assumed in a business combination, asset retirement obligations and asset impairments, including goodwill and long-lived assets. The application of FAS 157 did not have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51," which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. We adopted SFAS No. 160 in the first quarter of 2009 and have included the non-controlling interest in our 60% owned Michigan subsidiary as a component of equity on the condensed consolidated balance sheets and have included net loss attributable to non-controlling interest in our consolidated net loss.

13. FINANCIAL STATEMENTS OF SUBSIDIARY GUARANTORS

All of our subsidiaries, excluding Superior and minor subsidiaries, have jointly and severally and fully and unconditionally guaranteed the repayment of our long-term debt. We directly or indirectly own 100% of each subsidiary guarantor. The following supplemental financial information sets forth, on a condensed consolidating basis, the financial statements for U.S. Concrete, Inc., the parent company and its subsidiary guarantors (including minor subsidiaries), Superior and our total company, as of and for the three and six months ended June 30, 2009 and 2008.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Condensed Consolidating Balance Sheet As of June 30, 2009:	U.S. Concrete Parent	Subsidiary Guarantors1	Superior	Eliminations	Consolidated
ASSETS	(in thousands)				
Current assets:					
Cash and cash equivalents	$ –	$ 4,464	$ 4	$ –	$ 4,468
Trade accounts receivable, net.	–	80,212	10,708	–	90,920
Inventories	–	27,370	3,941	–	31,311
Deferred income taxes	–	14,679	–	–	14,679
Prepaid expenses	–	4,369	907	–	5,276
Other current assets	4,886	5,022	605	–	10,513
Total current assets	4,886	136,116	16,165	–	157,167
Property, plant and equipment, net	–	237,645	28,566	–	266,211
Goodwill	–	62,793	–	–	62,793
Investment in Subsidiaries	360,301	20,454	–	(380,755)	–
Other assets	5,670	1,669	63	–	7,402
Total assets	$ 370,857	$ 458,677	$ 44,794	$ (380,755)	$ 493,573
LIABILITIES AND EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 839	$ 1,549	$ 8,606	$ –	$ 10,994
Accounts payable	–	27,490	7,854	2,412	37,756
Accrued liabilities	6,171	46,083	3,859	–	56,113
Total current liabilities	7,010	75,122	20,319	2,412	104,863
Long-term debt, net of current maturities	298,169	293	4,021	(2,412)	300,071
Other long-term obligations and deferred credits	7,978	587	–	–	8,565
Deferred income taxes	–	14,201	–	–	14,201
Total liabilities	313,157	90,203	24,340	–	427,700
Equity:					
Common stock	38	–	–	–	38
Additional paid-in capital	266,951	542,453	38,736	(581,189)	266,951
Retained deficit	(206,012)	(182,152)	(18,282)	200,434	(206,012)
Treasury stock, at cost	(3,277)	–	–	–	(3,277)
Total stockholders' equity	57,700	360,301	20,454	(380,755)	57,700
Non-controlling interest	–	8,173	–	–	8,173
Total equity	57,700	368,474	20,454	(380,755)	65,873
Total liabilities and equity	$ 370,857	$ 458,677	$ 44,794	$ (380,755)	$ 493,573

1 Including minor subsidiaries without operations or material assets.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Condensed Consolidating Statement of Operations Three months ended June 30, 2009:	U.S. Concrete Parent	Subsidiary Guarantors1	Superior	Eliminations	Consolidated
			(in thousands)		
Revenue	$ –	$ 128,756	$ 14,970	$ –	$ 143,726
Cost of goods sold before depreciation, depletion and amortization	–	106,732	13,857	–	120,589
Selling, general and administrative expenses	–	15,631	1,976	–	17,607
Depreciation, depletion and amortization	–	6,577	873	–	7,450
Loss from operations	–	(184)	(1,736)	–	(1,920)
Interest income	4	5	–	–	9
Interest expense	6,414	32	125	–	6,571
Gain on purchase of senior subordinated notes	2,913	–	–	–	2,913
Other income, net	–	308	33	–	341
Loss before income tax provision (benefit)	(3,497)	97	(1,828)	–	(5,228)
Income tax provision (benefit)	(1,224)	718	75	–	(431)
Equity earnings in subsidiary	(1,721)	(1,903)	–	3,624	–
Loss from continuing operations	(3,994)	(2,524)	(1,903)	3,624	(4,797)
Loss from discontinued operations, net of tax	–	–	–	–	–
Net loss	(3,994)	(2,524)	(1,903)	3,624	(4,797)
Net loss attributable to non-controlling interest	–	803	–	–	803
Net loss attributable to stockholders	$ (3,994)	$ (1,721)	$ (1,903)	$ 3,624	$ (3,994)

1Including minor subsidiaries without operations or material assets.

Condensed Consolidating Statement of Operations Six months ended June 30, 2009:	U.S. Concrete Parent	Subsidiary Guarantors1	Superior	Eliminations	Consolidated
			(in thousands)		
Revenue	$ –	$ 240,733	$ 20,293	$ –	$ 261,026
Cost of goods sold before depreciation, depletion and amortization	–	203,249	20,862	–	224,111
Selling, general and administrative expenses	–	30,539	3,146	–	33,685
Depreciation, depletion and amortization	–	13,077	1,829	–	14,906
Loss from operations	–	(6,132)	(5,544)	–	(11,676)

Interest income	6	9	–	–	15
Interest expense	13,008	91	246	–	13,345
Gain on purchase of senior subordinated notes	7,406	–	–	–	7,406
Other income, net	–	630	60	–	690
Loss before income tax provision (benefit)	(5,596)	(5,584)	(5,730)	–	(16,910)
Income tax provision (benefit)	(1,959)	741	150	–	(1,068)
Equity earnings in subsidiary	(9,811)	(5,880)	–	15,691	–
Loss from continuing operations	(13,448)	(12,205)	(5,880)	15,691	(15,842)
Loss from discontinued operations, net of tax	–	–	–	–	–
Net loss	(13,448)	(12,205)	(5,880)	15,691	(15,842)
Net loss attributable to non-controlling interest	–	2,394	–	–	2,394
Net loss attributable to stockholders	$ (13,448)	$ (9,811)	$ (5,880)	$ 15,691	$ (13,448)

1Including minor subsidiaries without operations or material assets.

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U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Condensed Consolidating Statement of Cash Flows Six months ended June 30, 2009:	U.S. Concrete Parent	Subsidiary Guarantors1	Superior	Eliminations	Consolidated
			(in thousands)		
Net cash provided by (used in) operating activities	$ (2,399)	$ 8,209	$ (7,782)	$ –	$ (1,972)
Net cash provided by (used in) investing activities	–	(11,823)	99	–	(11,724)
Net cash provided by (used in) financing activities	2,399	3,393	7,049	–	12,841
Net increase (decrease) in cash and cash equivalents	–	(221)	(634)	–	(855)
Cash and cash equivalents at the beginning of the period	–	4,685	638	–	5,323
Cash and cash equivalents at the end of the period	$ –	$ 4,464	$ 4	$ –	$ 4,468

1 Including minor subsidiaries without operations or material assets.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

Condensed Consolidating Balance Sheet As of December 31, 2008:	U.S. Concrete Parent	Subsidiary Guarantors1	Superior	Eliminations	Consolidated
			(in thousands)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ –	$ 4,685	$ 638	$ –	$ 5,323
Trade accounts receivable, net.	–	89,483	10,786	–	100,269
Inventories	–	28,438	4,330	–	32,768
Deferred income taxes	–	11,576	–	–	11,576
Prepaid expenses	–	3,178	341	–	3,519
Other current assets	4,886	7,977	938	–	13,801
Assets held for sale	–	–	–	–	–
Total current assets	4,886	145,337	17,033	–	167,256
Property, plant and equipment, net	–	242,371	30,398	–	272,769
Goodwill	–	59,197	–	–	59,197
Investment in Subsidiaries	369,853	26,334	–	(396,187)	–
Other assets	6,751	1,747	90	–	8,588
Total assets	$ 381,490	$ 474,986	$ 47,521	$ (396,187)	$ 507,810
LIABILITIES AND EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 819	$ 2,291	$ 261	$ –	$ 3,371
Accounts payable	–	32,870	13,050	–	45,920
Accrued liabilities	7,000	44,922	2,559	–	54,481
Total current liabilities	7,819	80,083	15,870	–	103,772
Long-term debt, net of current maturities	295,931	1,369	5,317	–	302,617
Other long-term obligations and deferred credits	7,944	578	–	–	8,522
Deferred income taxes	–	12,536	–	–	12,536
Total liabilities	311,694	94,566	21,187	–	427,447
Equity:					
Common stock	37	–	–	–	37
Additional paid-in capital	265,453	542,194	38,736	(580,930)	265,453
Retained deficit	(192,564)	(172,341)	(12,402)	184,743	(192,564)
Treasury stock, at cost	(3,130)	–	–	–	(3,130)
Total stockholders' equity	69,796	369,853	26,334	(396,187)	69,796
Non-controlling interest	–	10,567	–	–	10,567
Total equity	69,796	380,420	26,334	(396,187)	80,363
Total liabilities and equity	$ 381,490	$ 474,986	$ 47,521	$ (396,187)	$ 507,810

1 Including minor subsidiaries without operations or material assets.

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U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Condensed Consolidating Statement of Operations Three months ended June 30, 2008:	U.S. Concrete Parent	Subsidiary Guarantors1	Superior	Eliminations	Consolidated
			(in thousands)		
Revenue	$ –	$ 185,967	$ 20,080	$ –	$ 206,047
Cost of goods sold before depreciation, depletion and amortization	–	151,222	19,188	–	170,410
Selling, general and administrative expenses	–	16,025	1,617	–	17,642
Depreciation, depletion and amortization	–	5,976	1,059	–	7,035
Loss from operations	–	12,744	(1,784)	–	10,960
Interest income	36	1	–	–	37
Interest expense	6,510	47	148	–	6,705
Other income, net	–	378	50	–	428
Loss before income tax provision (benefit)	(6,474)	13,076	(1,882)	–	4,720
Income tax provision (benefit)	(2,266)	4,388	80	–	2,202
Equity earnings in subsidiary	7,511	(1,962)	–	(5,549)	–
Loss from continuing operations	3,303	6,726	(1,962)	(5,549)	2,518
Loss from discontinued operations, net of tax	–	–	–	–	–
	–				
Net loss	3,303	6,726	(1,962)	(5,549)	2,518
Net loss attributable to non-controlling interest	–	785	–	–	785
Net loss attributable to stockholders	$ 3,303	$ 7,511	$ (1,962)	$ (5,549)	$ 3,303

1 Including minor subsidiaries without operations or material assets.

Condensed Consolidating Statement of Operations Six months ended June 30, 2008:	U.S. Concrete Parent	Subsidiary Guarantors1	Superior	Eliminations	Consolidated
			(in thousands)		
Revenue	$ –	$ 341,616	$ 26,538	$ –	$ 368,154
Cost of goods sold before depreciation, depletion and amortization	–	283,628	28,073	–	311,701
Selling, general and administrative expenses	–	32,761	3,012	–	35,773
Depreciation, depletion and amortization	–	11,736	2,177	–	13,913
Loss from operations	–	13,491	(6,724)	–	6,767
Interest income	108	3	–	–	111
Interest expense	13,011	178	296	–	13,485
Other income, net	–	948	102	–	1,050

Loss before income tax provision (benefit)	(12,903)	14,264	(6,918)	–	(5,557)
Income tax provision (benefit)	(4,516)	3,459	155	–	(902)
Equity earnings in subsidiary	6,412	(7,073)	–	661	–
Loss from continuing operations	(1,975)	3,732	(7,073)	661	(4,655)
Loss from discontinued operations, net of tax	–	(149)	–	–	(149)
	–				
Net loss	(1,975)	3,583	(7,073)	661	(4,804)
Net loss attributable to non-controlling interest	–	2,829	–	–	2,829
Net loss attributable to stockholders	$ (1,975)	$ 6,412	$ (7,073)	$ 661	$ (1,975)

1 Including minor subsidiaries without operations or material assets.

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U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Condensed Consolidating Statement of Cash Flows Six months ended June 30, 2008:	U.S. Concrete Parent	Subsidiary Guarantors1	Superior	Eliminations	Consolidated
			(in thousands)		
Net cash provided by (used in) operating activities	$ (5,700)	$ 15,694	$ (494)	$ –	$ 9,500
Net cash provided by (used in) investing activities	–	(18,286)	(237)	–	(18,523)
Net cash provided by (used in) financing activities	5,700	(1,733)	(595)	–	3,372
Net increase (decrease) in cash and cash equivalents	–	(4,325)	(1,326)	–	(5,651)
Cash and cash equivalents at the beginning of the period	–	13,368	1,482	–	14,850
Cash and cash equivalents at the end of the period	$ –	$ 9,043	$ 156	$ –	$ 9,199

1 Including minor subsidiaries without operations or material assets.

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

Statements we make in the following discussion which express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements that are subject to various risks, uncertainties and assumptions. Our actual results, performance or achievements, or market conditions or industry results, could differ materially from the forward-looking statements in the following discussion as a result of a variety of factors, including the risks and uncertainties we have referred to under the headings "Risk Factors" in Item 1A of Part I in the 2008 Form 10-K, and "—Risks and Uncertainties" below. For a discussion of our commitments not discussed below, related-party transactions, and our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part I in the 2008 Form 10-K. We assume no obligation to update these forward-looking statements, except as required by applicable law.

Our Business

We operate our business in two business segments: ready-mixed concrete and concrete-related products; and precast concrete products.

Ready-Mixed Concrete and Concrete-Related Products. Our ready-mixed concrete and concrete-related products segment is engaged primarily in the production, sale and delivery of ready-mixed concrete to our customers' job sites. To a lesser extent, this segment is engaged in the mining and sale of aggregates, and the resale of building materials, primarily to our ready-mixed concrete customers. We provide these products and services from our operations in north and west Texas, northern California, New Jersey, New York, Washington, D.C., Michigan and Oklahoma.

Precast Concrete Products. Our precast concrete products segment engages principally in the production, distribution and sale of precast concrete products from our seven plants located in California, Arizona and Pennsylvania. From these facilities, we produce precast concrete structures such as utility vaults, manholes and other wastewater management products, specialty engineered structures, pre-stressed bridge girders, concrete piles, curb-inlets, catch basins, retaining and other wall systems, custom designed architectural products and other precast concrete products.

Our Markets: Pricing and Demand Trends

The markets for our products are generally local, and our operating results are subject to fluctuations in the level and mix of construction activity that occur in our markets. The level of activity affects the demand for our products, while the product mix of activity among the various segments of the construction industry affects both our relative competitive strengths and our operating margins. Commercial and industrial projects generally provide more opportunities to sell value-added products that are designed to meet the high-performance requirements of these types of projects.

Our customers are generally involved in the construction industry, which is a cyclical business and is subject to general and more localized economic conditions, including the recessionary conditions impacting all our markets. In addition, our business is impacted by seasonal variations in weather conditions, which vary by regional market. Accordingly, demand for our products and services during the winter months is typically lower than in other months of the year because of inclement weather. Also, sustained periods of inclement weather could cause the delay of construction projects during other times of the year.

For the first six months of 2009, our consolidated average sales price per cubic yard of ready-mixed concrete increased approximately 1.3%, as compared to the first six months of 2008. This increase was attributable to higher prices in our Texas and Michigan markets, offset by lower prices in our northern New Jersey and California markets. However, we began to see some downward pressure on our product pricing in most of our markets during the second quarter of 2009.

We continued to experience declines in the demand for our products during the first half of 2009, primarily in our residential and commercial end-use markets. Ready-mixed concrete sales volumes generally began to decline during the early summer of 2006 and continued to decline throughout 2007, 2008, and the first half of 2009. This decline reflects a sustained downward trend in residential construction activity and commercial projects in many of our markets. The overall construction downturn, in both residential and commercial end-use markets, resulted in ready-mixed concrete sales volumes being down on a same-plant-sales basis in our major markets, as compared to the first quarter and first six months of 2008. For the full year, we expect ready-mixed concrete sales volumes in 2009 to be significantly lower than sales volumes achieved in 2008 because of continued sluggishness in the residential and commercial end-use construction markets, which continues to be exacerbated by the financial crisis and U.S. recession.

Demand for our products in our precast concrete products segment also decreased in the first six months of 2009, as compared to the first six months of 2008. This decline is reflective of the decrease in residential construction starts in our northern California and Phoenix, Arizona markets, where our precast business has been heavily weighted toward products used in new residential construction projects. Additionally, lower commercial construction spending in the mid-Atlantic market has affected this segment.

Sustaining or improving our operating margins in the future will depend on market conditions, including the impact of continued weakness in the residential and commercial construction sectors and the uncertainty of public works projects in light of state budgetary shortfalls and the U.S. economic recession. The impact of the American Recovery and Reinvestment Act passed by the U.S. government in 2009 on our sales volumes, operating margins and liquidity remains uncertain.

Cement and Other Raw Materials

We obtain most of the raw materials necessary to manufacture ready-mixed concrete and precast concrete products on a daily basis. These materials include cement, other cementitious materials (generally, fly ash and blast furnace slag) and aggregates (stone, gravel and sand), in addition to certain chemical admixtures. With the exception of chemical admixtures, each plant typically maintains an inventory level of these materials sufficient to satisfy its operating needs for a few days. Typically, cement, other cementitious materials and aggregates represent the highest-cost materials used in manufacturing a cubic yard of ready-mixed concrete. In each of our markets, we purchase each of these materials from several suppliers. Admixtures are generally purchased from suppliers under national purchasing agreements.

We negotiate cement and aggregates pricing with suppliers both on a company-wide basis and at the local market level in an effort to obtain the most competitive pricing available. Due to the severe slowdown in residential housing starts and decreased demand in other construction activity, combined with increased U.S. cement capacity, we did not experience cement shortages during the first half of 2009, and we do not expect to experience cement shortages for the remainder of the year. Cement costs have remained flat in certain markets, but we have realized cement cost decreases in some of our major markets in the first half of 2009 and expect cement prices to remain stable to moderately down throughout the remainder of 2009.

Overall, and in certain markets in particular, aggregates pricing in the first six months of 2009 were lower when compared with the first six months of 2008. However, prices by market and for specific types of aggregates varied. Currently, in most of our markets, we believe there is an adequate supply of aggregates. Should demand for aggregates increase significantly, we could experience escalating prices or shortages of aggregates. On average, we expect our aggregates costs in 2009 to be flat or slightly down over aggregates costs in 2008. Fuel charges have declined substantially during the first six months of 2009, compared to the first half of 2008, due to lower diesel fuel prices and lower production volumes.

Acquisitions

Since our inception in 1999, our growth strategy has contemplated acquisitions. The rate and extent to which appropriate further acquisition opportunities are available, and the extent to which acquired businesses are integrated and anticipated synergies and cost savings are achieved, can affect our operations and results. We expect the rate of our acquisitions in 2009 to be significantly lower than our historical rate due to the global credit crisis, our limited available capital and ongoing recessionary conditions in the United States. Our recent acquisitions are discussed briefly below.

Ready-Mixed Concrete and Concrete-Related Products Segment

New York Acquisitions. In May 2009, we acquired substantially all of the assets of a concrete crushing and recycling business in Queens, New York for approximately $4.5 million. In November 2008, we paid $2.5 million to acquire a ready-mixed concrete operation in Brooklyn, New York, and in August 2008, we paid $2.0 million to acquire a ready-mixed concrete operation in Mount Vernon, New York. We used borrowings under our existing credit facility to fund these acquisitions. In January 2008, we acquired a ready-mixed concrete operation in Staten Island, New York. The purchase price was approximately $1.8 million in cash.

West Texas Acquisition. In June 2008, we acquired nine ready-mixed concrete plants, together with related real property, rolling stock and working capital, in our west Texas market for approximately $13.5 million. We used borrowings under our existing credit facility to fund the payment of the purchase price.

Precast Concrete Products Segment

Pomeroy. In August 2008, we paid $2.5 million to acquire a precast operation to augment our existing precast operations in San Diego, California. We used cash on hand to fund the purchase price.

Architectural Precast, LLC (“API”). In October 2007, we acquired the operating assets, including working capital and real property, of API, a leading designer and manufacturer of premium quality architectural and structural precast concrete products serving the mid-Atlantic region, for approximately $14.5 million plus a $1.5 million contingent payment based on the future earnings of API. For the twelve-month period ended September 30, 2008, API attained 50% of its established earnings target, and we made a $750,000 payment, reduced for certain uncollected pre-acquisition accounts receivable, to the sellers in the first quarter of 2009 in partial satisfaction of our contingent payment obligation.

Divestitures

In the fourth quarter of 2007, we began to implement our strategy of exiting markets that do not meet our performance and return criteria or fit our long-term strategic objectives. We sold our Knoxville, Tennessee and Wyoming, Delaware operations in November 2007 for $16.5 million, plus certain adjustments for working capital. In addition, we sold our Memphis, Tennessee operations for $7.2 million, plus the payment for certain inventory on hand at closing in January 2008 (See Note 3 to our condensed consolidated financial statements included in this report).

Risks and Uncertainties

Numerous factors could affect our future operating results, including those discussed under the heading "Risk Factors" in Item 1A of Part I of the 2008 Form 10-K and the following factors:

Internal Computer Network and Applications. We rely on our network infrastructure, enterprise applications and internal technology systems for our operational, support and sales activities. The hardware and software systems related to such activities are subject to damage from earthquakes, floods, fires, power loss, telecommunication failures and other similar events. They are also subject to computer viruses, physical or electronic vandalism or other similar disruptions that could cause system interruptions, delays and loss of critical data and could prevent us from fulfilling our customers' orders. We have developed disaster recovery plans and backup systems to reduce the potentially adverse effects of such events. Any event that causes failures or interruption in our hardware or software systems could result in disruption in our business operations, loss of revenues or damage to our reputation.

During the second half of 2007, we began a process to select a new enterprise resource planning solution to provide for enhanced control, business efficiency and effectiveness, more timely and consistent reporting of both operational and financial data, and provide a platform to more adequately support our long-term growth plans. In the fourth quarter of 2007, a plan of implementation was approved which included a phased implementation across our regions during the course of 2008 and into early 2009. This implementation was substantially completed during the first quarter of 2009.

Tax Liabilities. We are subject to federal, state and local income taxes applicable to corporations generally, as well as other taxes not based on income. Significant judgment is required in determining our provision for income taxes and other tax liabilities. In the ordinary course of business, we make calculations in which the ultimate tax determination is uncertain. We are also, from time to time, under audit by state and local tax authorities. Although we can provide no assurance that the final determination of our tax liabilities will not differ from what our historical income tax provisions and accruals reflect, we believe our tax estimates are reasonable.

Critical Accounting Policies

We have outlined our critical accounting policies in Item 7 of Part II of the 2008 Form 10-K. Our critical accounting policies involve the use of estimates in the recording of the allowance for doubtful accounts, realization of goodwill, accruals for self-insurance, accruals for income taxes, inventory obsolescence reserves and the valuation and useful lives of property, plant and equipment. See Note 1 to our consolidated financial statements included in Item 8 of Part II of the 2008 Form 10-K for a discussion of these accounting policies. See Note 12 to the condensed consolidated financial statements in Part I of this report for a discussion of recent accounting pronouncements and accounting changes.

Results of Operations

The following table sets forth selected historical statement of operations information (in thousands, except for selling prices) and that information as a percentage of sales for each of the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009		2008		2009		2008	
	(unaudited)				(unaudited)			
Revenue:								
Ready-mixed concrete and concrete-related products	$ 131,737	91.7%	$ 192,964	93.7%	$ 238,734	91.5%	$ 341,790	92.8%
Precast concrete products	16,023	11.1	17,353	8.4	29,531	11.3	33,914	9.2
Inter-segment revenue	(4,034)	(2.8)	(4,270)	(2.1)	(7,239)	(2.8)	(7,550)	(2.0)
Total revenue	$ 143,726	100.0%	$ 206,047	100.0%	$ 261,026	100.0%	$ 368,154	100.0%
Cost of goods sold before depreciation, depletion and amortization:								
Ready-mixed concrete and concrete-related products	$ 107,900	75.1%	$ 157,320	76.4%	$ 200,752	76.9%	$ 286,361	