US CONCRETE INC
Form 10-Q
May 08, 2008

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 March 31, 2008

Commission File Number 000-26025

U.S. CONCRETE, INC.

A Delaware Corporation

IRS Employer Identification No. 76-0586680

2925 Briarpark, Suite 1050
Houston, Texas 77042
(713) 499-6200

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 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 May 6, 2008, U.S. Concrete, Inc. had 39,745,828 shares of its common stock, $0.001 par value, outstanding (excluding treasury shares of 479,094).

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)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,405	$ 14,850
Trade accounts receivable, net	91,753	102,612
Inventories	32,454	32,557
Deferred income taxes	17,507	10,937
Prepaid expenses	5,640	5,256
Other current assets	9,052	11,387
Assets held for sale	—	7,273
Total current assets	176,811	184,872
Property, plant and equipment, net	264,459	267,010
Goodwill	186,508	184,999
Other assets	10,069	10,375
Total assets	$ 637,847	$ 647,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 4,702	$ 3,172
Accounts payable	35,385	48,160
Accrued liabilities	51,323	45,411
Total current liabilities	91,410	96,743
Long-term debt, net of current maturities	294,978	295,328
Other long-term obligations and deferred credits	9,205	9,125
Deferred income taxes	30,018	26,763
Total liabilities	425,611	427,959
Commitments and contingencies (Note 11)		
Minority interest in consolidated subsidiary (Note 4)	12,148	14,192
Stockholders' equity:		
Preferred stock	—	—
Common stock	40	39
Additional paid-in capital	268,513	267,817
Retained deficit	(65,396)	(60,118)
Treasury stock, at cost	(3,069)	(2,633)
Total stockholders' equity	200,088	205,105
Total liabilities and stockholders' equity	$ 637,847	$ 647,256

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 March 31,	
	2008	**2007**
Sales	$ 162,107	$ 157,494
Cost of goods sold before depreciation, depletion and amortization	141,291	136,506
Selling, general and administrative expenses	18,131	16,693
Depreciation, depletion and amortization	6,878	6,638
Loss from operations	(4,193)	(2,343)
Interest income	74	24
Interest expense	6,780	6,891
Other income, net	622	477
Minority interest in consolidated subsidiary	(2,044)	-
Loss from continuing operations before income tax benefit	(8,233)	(8,733)
Income tax benefit	(3,104)	(3,509)
Loss from continuing operations	(5,129)	(5,224)
Loss from discontinued operations (net of tax benefit of $81 in 2008 and $336 in 2007)	(149)	(505)
Net loss	$ (5,278)	$ (5,729)
Loss per share – Basic and diluted:		
Loss from continuing operations	$ (0.13)	$ (0.14)
Loss from discontinued operations, net of income tax benefit	(0.01)	(0.01)
Net loss	$ (0.14)	$ (0.15)
Basic and diluted shares used in calculating net loss per share	38,587	38,030

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

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

	Common Stock		Additional			Total
	Shares	Par Value	Paid-In Capital	Retained Deficit	Treasury Stock	Stockholders' Equity
BALANCE, December 31, 2007	39,361	$ 39	$ 267,817	$ (60,118)	$ (2,633)	$ 205,105
Stock-based compensation	540	1	696	-	-	697
Purchase of treasury shares	(113)	-	-	-	(436)	(436)
Cancellation of shares	(13)	-	-	-	-	-
Net loss	-	-	-	(5,278)	-	(5,278)
BALANCE, March 31, 2008	39,775	$ 40	$ 268,513	$ (65,396)	$ (3,069)	$ 200,088

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)

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$	(5,278)	$	(5,729)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation, depletion and amortization		6,878		7,218
Debt issuance cost amortization		398		380
Net (gain) loss on sale of assets		(437)		4
Deferred income taxes		(3,315)		(3,898)
Provision for doubtful accounts		458		306
Stock-based compensation		697		636
Excess tax benefits from stock-based compensation		—		(54)
Minority interest in consolidated subsidiary		(2,044)		—
Changes in assets and liabilities, excluding effects of acquisitions:				
Accounts receivable		10,401		9,006
Inventories		(327)		731
Prepaid expenses and other current assets		2,449		(1,865)
Other assets and liabilities		(137)		(39)
Accounts payable and accrued liabilities		(5,276)		(7,668)
Net cash provided by (used in) operations		4,467		(972)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Property, plant and equipment, net of disposals		(5,561)		(7,374)
Payments for acquisitions		(1,822)		—
Disposals of business units		7,583		—
Other investing activities		212		(174)
Net cash provided by (used in) investing activities		412		(7,548)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from borrowings		2,529		10,100
Repayments of capital leases and notes payable		(1,406)		(929)
Proceeds from issuance of common stock under compensation plans		—		371
Excess tax benefits from stock-based compensation		—		54
Purchase of treasury shares		(436)		(225)
Debt issuance costs		(11)		(154)
Net cash provided by financing activities		676		9,217
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,555		697
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		14,850		8,804
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	20,405	$	9,501

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. We reflect the minority owner's 40% interest in income, net assets and cash flows of our Michigan subsidiary as minority interest in consolidated subsidiary 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, although our management believes that the disclosures made are adequate to make the information presented not misleading. 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, 2007 (the "2007 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-month period ended March 31, 2008 are not necessarily indicative of our results expected for the year ending December 31, 2008.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES

For a description of our accounting policies, see Note 1 of the consolidated financial statements in the 2007 Form 10-K, as well as Note 13 below.

3. DISCONTINUED OPERATIONS

In the fourth quarter of 2007, we entered into definitive agreements to dispose of three of our ready-mixed concrete business units. In November 2007, we sold our Knoxville, Tennessee and Wyoming, Delaware business units. The sale of our third unit, headquartered in Memphis, Tennessee, occurred on January 31, 2008. All three units were part of our ready-mixed concrete and concrete-related products segment. We classified all three business units sold as discontinued operations beginning in the fourth quarter of 2007 and presented the results of operations, net of tax, as discontinued operations in the accompanying condensed consolidated statements of operations for all periods presented. The results of discontinued operations included in the accompanying condensed consolidated statements of operations were as follows for the three months ended March 31 (in thousands):

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Sales	$ 671	$ 11,895
Operating expenses	1,395	12,736
Gain on disposal of assets	494	-
Loss from discontinued operations, before income tax benefit	(230)	(841)
Income tax benefits from discontinued operations	(81)	(336)

Loss from discontinued operations, net of tax	$	(149)	$	(505)

The following table summarizes the carrying amount as of December 31, 2007 of the major classes of assets of the Memphis, Tennessee business unit we classified as held for sale (in thousands):

		December 31, 2007
Assets held for sale:		
Inventories	$	401
Property, plant and equipment, net		6,872
Total assets held for sale	$	7,273

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

4. BUSINESS COMBINATIONS

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 completed the acquisition of 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 Atlantic region. We used borrowings under our revolving credit facility to fund the cash purchase price of approximately $14.5 million. The purchase agreement provides for up to $1.5 million in additional purchase consideration, which is contingent on API attaining established earnings targets in each of 2008 and 2009.

In April 2007, several of our subsidiaries entered into agreements with the Edw. C. Levy Co. relating to the formation of a ready-mixed concrete company that operates in Michigan. We contributed our Michigan ready-mixed concrete and concrete-related products assets, excluding our quarry assets and working capital, in exchange for an aggregate 60% ownership interest, and Levy contributed all of its ready-mixed concrete and concrete-related products assets, a cement terminal and cash of $1.0 million for a 40% ownership interest in the new company. Under the contribution agreement, the subsidiary also purchased at closing the then carrying amount of Levy's inventory and prepaid assets, totaling approximately $3.0 million, which is classified as cash used in investing activities. The newly formed company, Superior Materials Holdings, LLC, which operates primarily under the trade name Superior Materials, currently owns and operates 22 ready-mixed concrete plants, a cement terminal and approximately 250 ready-mixed concrete trucks. For financial reporting purposes, we are including Superior Materials Holdings, LLC in our consolidated accounts.

Superior Materials Holdings, LLC has a separate credit agreement which provides for a revolving credit facility, under which borrowings of up to $20 million may become available depending on its borrowing base, as defined in the credit agreement (see Note 7).

In other business acquisitions during the periods presented, we acquired two ready-mixed concrete plants, including real property and raw material inventories, in our west Texas market for approximately $3.6 million in June 2007.

5. INVENTORIES

Inventories consist of the following (in thousands):

	March 31, 2008	December 31, 2007
Raw materials	$ 16,531	$ 17,374
Precast products	7,867	7,495
Building materials for resale	3,963	3,520
Repair parts	4,093	4,168
	$ 32,454	$ 32,557

6. GOODWILL

The change in the carrying amount of goodwill from December 31, 2007 to March 31, 2008 was as follows (in thousands):

	Ready-Mixed Concrete and Concrete-Related Products	Precast Concrete Products	Total
Balance at December 31, 2007	$ 148,116	$ 36,883	$ 184,999
Acquisitions	1,509	—	1,509
Balance at March 31, 2008	$ 149,625	$ 36,883	$ 186,508

The adjustments made in the three months ended March 31, 2008 relate to the purchase price allocation in connection with our recent business acquisition (see Note 4).

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

7. DEBT

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

	March 31, 2008	December 31, 2007
Senior secured credit facility due 2011	$ —	$ —
8 % senior subordinated notes due 2014	283,855	283,807
Notes payable	7,832	6,114
Superior Materials Holdings, LLC secured credit facility due 2010	7,350	7,816
Capital leases	643	763
	299,680	298,500
Less: current maturities	4,702	3,172
	$ 294,978	$ 295,328

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 $150 million revolving credit facility, 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 March 31, 2008, there were no borrowings under this facility and new borrowings under the facility would have borne annual interest at the Eurodollar-based rate ("LIBOR") plus 1.75% or the domestic rate of 5.25% plus 0.25%. 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. At March 31, 2008, the amount of the available credit was approximately $88.9 million, net of outstanding letters of credit of approximately $12.2 million.

Our subsidiaries, excluding our 60%-owned Michigan subsidiary 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 our 60%-owned Michigan subsidiary 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 our 60%-owned Michigan subsidiary. 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 provides that specified change-of-control events would constitute events of default.

Senior Subordinated Notes

On March 31, 2004, we issued $200 million of 8 % senior subordinated notes due April 1, 2014. 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 the outstanding debt under our credit facility. In July 2006, we issued $85 million of additional 8 % senior subordinated notes.

All of our subsidiaries, excluding our 60%-owned Michigan subsidiary and minor subsidiaries, have jointly and severally and fully and unconditionally guaranteed the repayment of the 8 % senior subordinated notes.

The indenture governing the 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, merge or transfer assets. After March 31, 2009, we may redeem all or a part of the notes at a redemption price of 104.188% in 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 subordinated 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 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 % senior subordinated 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 Materials Holdings, LLC Credit Facility

Superior Materials Holdings, LLC has a separate credit agreement that provides for a revolving credit facility. The credit agreement was amended in the first quarter of 2008 and currently allows for borrowings of up to $20 million. Borrowings under this credit facility are collateralized by substantially all the assets of Superior Materials Holdings, LLC 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 and inventory and $5.0 million plus $2.5 million for the period January 1 and ending May 31 of each year, plus certain adjustments for letters of credit. The credit agreement provides that the administrative agent may, on the bases specified, reduce the amount of the available credit from time to time. As of March 31, 2008, there were $7.4 million in outstanding borrowings under the revolving credit facility, and the remaining amount of the available credit was approximately $1.2 million.

Currently, borrowings under the facility are subject to an interest pricing grid ranging from LIBOR plus 1.25% to LIBOR plus 2.5%. The interest rate margins vary inversely with the ratio of funded debt to EBITDA. Commitment fees at an annual rate of 25 basis points are payable on the unused portion of the facility.

The credit agreement contains covenants restricting, among other things, Superior Materials Holdings, LLC'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 Materials Holdings, LLC'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 be at least $0.7 million for the year ending December 31, 2008.

8. INCOME TAXES

For the three months ended March 31, our income tax payments were approximately $0.1 million in 2008 and $1.8 million in 2007.

In accordance with applicable generally accepted accounting principles, 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, and it may change in subsequent interim periods. Our effective tax rate for the three months ended March 31, 2008 was approximately 37.7%, compared to 40.2% for the three months ended March 31, 2007. The effective income tax rate for the 2008 period was higher than the federal statutory rate of 35%, due primarily to state income taxes and additional taxes provided due to previously recorded tax liabilities for uncertain tax positions. In the 2007 period, the effective income tax rate was higher than the federal statutory rate, due primarily to state income taxes.

9. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

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

	March 31, 2008	December 31, 2007
Shares authorized	60,000	60,000
Shares outstanding at end of period	39,775	39,361

Shares held in treasury	381	315

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 March 31, 2008 and December 31, 2007.

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 66,000 shares during the three months ended March 31, 2008, at a total value of $0.2 million, and we accounted for those shares as treasury stock.

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

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 plan permits the stock repurchases to be made on the open market or in privately negotiated transactions in compliance with applicable securities and other laws. Our stock repurchase plan does not obligate us to repurchase any particular number of shares, and we may suspend or discontinue the program at any time. As of March 31, 2008, we had repurchased 46,531 shares with an aggregate value of $0.2 million under the repurchase plan and had a remaining authorization to repurchase up to 2,953,469 shares.

10. SHARES USED IN COMPUTING NET INCOME PER SHARE

The following table summarizes the number of shares (in thousands) of common stock U.S. Concrete has used, on a weighted-average basis, in calculating basic and diluted net loss per share:

	Three Months Ended March 31,	
	2008	**2007**
Basic weighted average common shares outstanding	38,587	38,030
Effect of dilutive stock options and awards	—	—
Diluted weighted average common shares outstanding	38,587	38,030

For the three-month period ended March 31, stock options and awards covering 2.0 million shares in 2008 and 1.9 million shares in 2007 were excluded from the computation of the net loss per share because their effect would have been antidilutive.

11. 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 the 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. During the year ended December 31, 2007, we recorded a $2.3 million liability associated with certain ongoing litigation. Based on information available to us as of March 31, 2008, we believe our existing accruals for these matters are 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 deficiencies. We are currently 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 believe that the resolution of all litigation currently pending or threatened against us or any of our subsidiaries should not have a material adverse effect on our consolidated financial condition, results of operations or cash flows;

however, because of the inherent uncertainty of litigation, we cannot provide assurance that the resolution of any particular claim or proceeding to which we or any of our subsidiaries is a party will not have a material adverse effect on our consolidated results of operations or cash flows for the fiscal period in which that resolution occurs. 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 that these claims should not have a material impact on our consolidated financial condition, results of operations or cash flows. 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.

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

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 March 31, 2008.

We and our subsidiaries are parties to agreements that require us to provide indemnification in certain instances when we acquire or divest 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 in amounts and against the risks we believe are reasonable. 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, we believe our deductible retentions per occurrence for auto, general liability and workers' compensation insurance programs are consistent with industry practices. 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.

In March 2007, we settled a lawsuit with a third-party claims administrator responsible for handling workers' compensation claims related to 2002 and 2003. The settlement relieves us of any future responsibility relating to certain workers' compensation claims and required the payment of $225,000 in cash to us by the third-party administrator. As a result, we recorded additional income of approximately $1.4 million resulting from the reversal of accrued liabilities relating to workers' compensation claims associated with 2002 and 2003 and the cash settlement amount. The additional income is reported in our financial statements primarily as an offset to cost of sales in 2007.

Performance Bonds

In the normal course of business, we and our subsidiaries are contingently liable for performance under $26.8 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.

12. SEGMENT INFORMATION

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, Washington, D.C., and Michigan. 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 sales at market prices. Segment operating profit consists of net sales less operating expense, including certain operating overhead directly related to the operation of the specific segment. Corporate includes administrative, financial, legal, human resources and risk management activities which are not allocated to operations and are excluded from segment operating profit.

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

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

	Three Months Ended March 31, 2008	2007
Sales:		
Ready-mixed concrete and concrete-related products	$ 148,826	$ 142,974
Precast concrete products	16,561	17,815
Inter-segment sales	(3,280)	(3,295)
Total sales	$ 162,107	$ 157,494
Segment Operating Loss:		
Ready-mixed concrete and concrete-related products	$ (424)	$ (839)
Precast concrete products	1,809	1,310
Unallocated overhead and other income	612	2,193
Corporate:		
Selling, general and administrative expense	5,568	4,530
Interest expense, net	6,706	6,867
Minority interest in consolidated subsidiaries	(2,044)	-
Loss before income taxes	$ (8,233)	$ (8,733)
Depreciation, Depletion and Amortization:		
Ready-mixed concrete and concrete-related products	$ 6,229	$ 6,139
Precast concrete products	524	404
Corporate	125	95
Total depreciation, depletion and amortization	$ 6,878	$ 6,638
Sales by Product:		
Ready-mixed concrete and concrete-related products	$ 131,007	$ 126,497
Precast concrete products	16,764	18,126
Building materials	3,259	3,985
Aggregates	6,594	6,596
Other	4,483	2,290
Total sales	$ 162,107	$ 157,494

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

	Three Months Ended March 31,	
	2008	2007
Capital Expenditures:		
Ready-mixed concrete and concrete-related products	$ 4,811	$ 6,582
Precast concrete products	935	748
Total capital expenditures	$ 5,746	$ 7,330

	As of March 31, 2008	As of December 31, 2007
Total Assets:		
Ready-mixed concrete and concrete-related products	$ 481,558	$ 506,999
Precast concrete products	80,595	79,557
Corporate	75,694	60,700
Total assets	$ 637,847	$ 647,256

13. RECENT ACCOUNTING PRONOUNCEMENTS

On January 1, 2008, we adopted SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair-value hierarchy that prioritizes the information used to develop those assumptions. Under SFAS No. 157, fair-value measurements would be separately disclosed by level within the fair-value hierarchy. The adoption did not have a material effect on our first quarter financial statements.

In February 2008, the FASB issued Staff Position No. 157-2, "Partial Deferral of the Effective Date of SFAS No. 157," which deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. We have not yet completed our evaluation of the potential impact of this standard on our nonfinancial assets and liabilities.

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 noncontrolling interest in the acquiree 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. We have not yet completed our evaluation of the potential impact of this standard on our financial statements.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling 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 noncontrolling interest, changes in a parent’s ownership interest and the valuation of retained noncontrolling 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 noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. We have not completed our evaluation of the potential impact of this standard.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities”. The new standard is 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 is effective for our first quarter 2009 financial statements, with early application encouraged. We do not believe the adoption of SFAS No. 161 will have a material impact on our consolidated financial position, results of operations or cash flow.

14. FINANCIAL STATEMENTS OF SUBSIDIARY GUARANTORS

All of our subsidiaries, excluding our Michigan 60%-owned subsidiary, Superior Materials Holdings, LLC (see Note 4) 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 and its subsidiary guarantors (including minor subsidiaries), our 60%-owned Michigan non-guarantor subsidiary and our total company as of and for the three months ended March 31, 2008.

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

Condensed Consolidating Balance Sheet As of March 31, 2008:	U.S. Concrete & Subsidiary Guarantors[1]	Superior Materials Holdings, LLC	Eliminations	Consolidated
		(in thousands)		
ASSETS				
Current assets:				
Cash and cash equivalents	$ 20,395	$ 10	$ -	$ 20,405
Trade accounts receivable, net.	85,679	6,074	-	91,753
Inventories	28,052	4,402	-	32,454
Deferred income taxes	17,507	-	-	17,507
Prepaid expenses	4,773	867	-	5,640
Other current assets	9,049	3	-	9,052
Total current assets	165,455	11,356	-	176,811
Property, plant and equipment, net	230,478	33,981	-	264,459
Goodwill	186,508	-	-	186,508
Other assets	29,986	115	(20,032)	10,069
Total assets	$ 612,427	$ 45,452	$ (20,032)	$ 637,847
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current maturities of long-term debt	$ 4,346	$ 356	$ -	$ 4,702
Accounts payable	31,214	4,171	-	35,385
Accrued liabilities	48,409	2,914	-	51,323
Total current liabilities	83,969	7,441	-	91,410
Long-term debt, net of current maturities	287,341	7,637	-	294,978
Other long-term obligations and deferred credits	5,994	-	3,211	9,205
Deferred income taxes	30,018	-	-	30,018
Total liabilities	407,322	15,078	3,211	425,611
Minority interest in consolidated subsidiary	-	-	12,148	12,148
Stockholders' equity:				
Common stock	40	-	-	40
Additional paid-in capital	268,513	38,736	(38,736)	268,513
Retained deficit	(60,379)	(8,362)	3,345	(65,396)
Treasury stock, at cost	(3,069)	-	-	(3,069)
Total stockholders' equity	205,105	30,374	(35,391)	200,088
Total liabilities and stockholders' equity	$ 612,427	$ 45,452	$ (20,032)	$ 637,847

[1] Including minor subsidiaries without operations or material assets.

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

(Unaudited)

Condensed Consolidating Statements of Operations **Three months ended March 31, 2008:**	**U.S. Concrete & Subsidiary Guarantors[1]**	**Superior Materials Holdings, LLC**	**Eliminations**	**Consolidated**
		(in thousands)		
Sales	$ 155,649	$ 6,458	$ -	$ 162,107
Cost of goods sold before depreciation, depletion and amortization	132,406			