

US CONCRETE INC
Form 10-K/A
June 15, 2004
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark one)

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

For the fiscal year ended December 31, 2003

OR

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

For the transition period from _____ to _____

Commission file number 000-26025

U. S. CONCRETE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of)

76-0586680
(I.R.S. Employer)

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incorporation or organization)

Identification Number)

2925 Briarpark, Suite 500, Houston, Texas 77042

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (713) 499-6200

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.001
(Title of class)

Nasdaq National Market
(Name of exchange on which registered)

Rights to Purchase Series A Junior

Participating Preferred Stock

(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2003, the last business day of the registrant's most recently completed second fiscal quarter, there were 28,274,426 shares of common stock, par value \$.001 per share, of the registrant issued and outstanding, 21,645,497 of which, having an aggregate market value of \$83,118,709 based on the closing market price of \$3.84 per share of the common stock of the registrant reported on the Nasdaq National Market on that date, were held by non-affiliates of the registrant. As of March 10, 2004, there were 28,661,954 shares of common stock, par value \$.001 per share, of the registrant issued and outstanding. For purposes of the above statements only, all directors and executive officers of the registrant are assumed to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the registrant's 2004 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

Table of Contents

Explanatory Note

We are filing this Amendment No. 1 to our annual report on Form 10-K for the year ended December 31, 2003 solely to provide information in a new footnote 18 to the consolidated financial statements included in Item 8 of Part II relating to certain debt we issued after the period to which this report pertains. This amendment also includes currently dated exhibits 23, 31.1, 31.2, 32.1 and 32.2. Except for the addition of the new footnote 18, this amendment does not change or update the disclosures set forth in the Form 10-K as originally filed and does not otherwise reflect events occurring after the original filing of the Form 10-K.

Table of Contents

TABLE OF CONTENTS

	Page
	<hr/>
	PART II
Item 8. <u>Financial Statements and Supplementary Data</u>	1
	PART IV
Item 15. <u>Exhibits, Financial Statement Schedules and Reports on Form 8-K</u>	30

Table of Contents

PART II

Item 8. *Financial Statements and Supplementary Data*

U.S. CONCRETE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Our Consolidated Financial Statements as of December 31, 2003 and 2002 and for each of the two years ended December 31, 2003, together with related notes and the report of PricewaterhouseCoopers LLP, are set forth herein.

Our Consolidated Financial Statements for the year ended December 31, 2001 were audited by Arthur Andersen LLP, which has ceased operations. A copy of its previously issued report on those financial statements is set forth herein. It has not reissued that report.

	Page
U.S. Concrete, Inc. and Subsidiaries	
<u>Report of Independent Auditors PricewaterhouseCoopers LLP</u>	2
<u>Report of Independent Public Accountants Arthur Andersen LLP</u>	3
<u>Consolidated Balance Sheets at December 31, 2003 and 2002</u>	4
<u>Consolidated Statements of Operations for the Years Ended December 31, 2003, 2002 and 2001</u>	5
<u>Consolidated Statements of Changes in Stockholders Equity for the Years Ended December 31, 2003, 2002 and 2001</u>	6
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001</u>	7
<u>Notes to Consolidated Financial Statements</u>	8

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of U.S. Concrete, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders equity and of cash flows present fairly, in all material respects, the financial position of U.S. Concrete, Inc. and its subsidiaries (the Company) at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The Company's consolidated financial statements for the year ended December 31, 2001 were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated February 26, 2002.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets as of January 1, 2002 and, accordingly, ceased amortizing goodwill and indefinite-lived intangible assets as of that date.

As discussed above, the Company's consolidated financial statements for the year ended December 31, 2001 were audited by other independent accountants who have ceased operations. As described in Note 2, those financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of January 1, 2002. We audited the transitional disclosures for 2001 included in Note 2. In our opinion, the transitional disclosures for 2001 in Note 2 are appropriate. However, we were not engaged to audit, review or apply any procedures to the 2001 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

PricewaterhouseCoopers LLP

March 12, 2004, except for Note 18, as to which the date is March 31, 2004

Table of Contents

THE FOLLOWING REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP (ARTHUR ANDERSEN). THIS REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN AND ARTHUR ANDERSEN DID NOT CONSENT TO THE INCORPORATION BY REFERENCE OF THIS REPORT (AS INCLUDED IN THIS FORM 10-K) INTO ANY OF U.S. CONCRETE, INC.'S REGISTRATION STATEMENTS.

AS DISCUSSED IN NOTE 2, U.S. CONCRETE, INC. HAS REVISED ITS FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 TO INCLUDE THE TRANSITIONAL DISCLOSURES REQUIRED BY STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 142, GOODWILL AND INTANGIBLE ASSETS. THE ARTHUR ANDERSEN REPORT DOES NOT EXTEND TO THOSE CHANGES. THE REVISION TO THE 2001 FINANCIAL STATEMENTS RELATED TO THESE TRANSITIONAL DISCLOSURES WERE REPORTED ON BY PRICEWATERHOUSECOOPERS LLP, AS STATED IN THEIR REPORT APPEARING HEREIN.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To U.S. Concrete, Inc.:

We have audited the accompanying consolidated balance sheets of U.S. Concrete, Inc., a Delaware corporation, and subsidiaries as of December 31, 2001 and 2000,* and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001.* These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Concrete, Inc. and subsidiaries as of December 31, 2001 and 2000,* and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001,* in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas

February 26, 2002

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* U.S. Concrete's consolidated balance sheets as of December 31, 2001 and 2000 and the consolidated statements of operations, stockholders equity and cash flows for the years ended December 31, 2000 and 1999 are not included in this Form 10-K.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(in thousands, except share amounts)**

	December 31	
	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,111	\$ 4,685
Trade accounts receivable, net	64,086	59,224
Inventories	18,104	21,044
Deferred income taxes	2,061	4,188
Prepaid expenses and other current assets	18,109	13,575
Total current assets	109,471	102,716
Property, plant and equipment, net	121,022	117,199
Goodwill	165,226	157,364
Other assets	5,255	4,943
Total assets	\$ 400,974	\$ 382,222
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 13,610	\$ 56
Accounts payable and accrued liabilities	57,920	55,544
Total current liabilities	71,530	55,600
Long-term debt, net of current maturities	141,429	161,752
Other long-term obligations	3,980	2,569
Deferred income taxes	7,324	456
Total liabilities	224,263	220,377
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, \$0.001 value; 10,000,000 shares authorized; none issued and outstanding		
Common stock, \$0.001 value; 60,000,000 shares authorized; 28,805,632 and 27,024,286 shares issued and outstanding in 2003 and 2002, respectively	29	27
Additional paid-in capital	164,123	157,276
Deferred compensation	(2,286)	
Retained earnings	14,845	4,542
Total stockholders' equity	176,711	161,845

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Total liabilities and stockholders' equity	<u>\$ 400,974</u>	<u>\$ 382,222</u>
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share amounts)**

	Year Ended December 31		
	2003	2002	2001
Sales	\$ 473,124	\$ 503,314	\$ 493,591
Cost of goods sold before depreciation, depletion and amortization	388,717	404,376	396,769
Gross profit before depreciation, depletion and amortization	84,407	98,938	96,822
Selling, general and administrative expenses	42,550	47,204	44,933
Special compensation charge			2,124
Restructuring and impairments		28,440	
Depreciation, depletion and amortization	12,441	10,734	13,828
Income from operations	29,416	12,560	35,937
Interest expense, net	16,855	17,127	19,386
Other income, net	3,016	1,137	652
Income (loss) before income tax provision	15,577	(3,430)	17,203
Income tax provision	5,274	608	7,658
Income (loss) before cumulative effect of accounting change	10,303	(4,038)	9,545
Cumulative effect of accounting change		(24,328)	
Net income (loss)	\$ 10,303	\$ (28,366)	\$ 9,545
Earnings per share:			
Basic and diluted income (loss) per share before cumulative effect of accounting change	\$ 0.37	\$ (0.15)	\$ 0.39
Cumulative effect of accounting change, net of tax		(0.91)	
Basic and diluted income (loss) per share	\$ 0.37	\$ (1.06)	\$ 0.39
Number of shares used in calculating earnings per share:			
Basic	28,003	26,825	24,551
Diluted	28,105	26,825	24,621

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

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

(in thousands)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Deferred Compensation</u>	<u>Retained Earnings</u>	<u>Total Stockholders Equity</u>
	<u>Shares</u>	<u>Amount</u>				
BALANCE, December 31, 2000	22,452	\$ 22	\$ 127,170	\$	\$ 23,363	\$ 150,555
Public offering, net of offering costs	1,820	2	13,600			13,602
Issuance of shares for acquisitions	2,076	3	12,372			12,375
Employee purchase of ESPP shares	226		1,242			1,242
Exercise of stock options	17		125			125
Stock issued to board member	12		95			95
Stock issued in connection with special compensation charge	108		776			776
Net income					9,545	9,545
BALANCE, December 31, 2001	26,711	27	155,380		32,908	188,315
Issuance of shares for acquisitions	18		349			349
Employee purchase of ESPP shares	247		1,247			1,247
Stock issued in connection with compensation plan	48		300			300
Net loss					(28,366)	(28,366)
BALANCE, December 31, 2002	27,024	27	157,276		4,542	161,845
Issuance of shares for acquisitions and contingent consideration	1,009	1	4,479			4,480
Exchange of stock options for restricted common stock	286		1,374	(1,374)		
Employee purchase of ESPP shares	265	1	866			867
Restricted common stock issued in connection with compensation plan	222		1,128	(1,128)		
Amortization of deferred compensation				216		216
Receivable of common stock to be canceled			(1,000)			(1,000)
Net income					10,303	10,303
BALANCE, December 31, 2003	28,806	\$ 29	\$ 164,123	\$ (2,286)	\$ 14,845	\$ 176,711

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

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

	Year Ended December 31		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 10,303	\$ (28,366)	\$ 9,545
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of accounting change		24,328	
Restructuring and impairments		28,115	
Depreciation, depletion and amortization	12,441	10,734	13,828
Debt issuance cost amortization	1,930	1,361	1,719
Net loss (gain) on sale of assets	(60)	(485)	77
Deferred income tax provision (benefit)	8,445	(4,232)	4,881
Provision for doubtful accounts	931	2,126	2,507
Provision to write down inventories	1,137		
Stock based compensation	216		871
Changes in assets and liabilities, excluding effects of acquisitions:			
Receivables	(4,242)	10,976	3,953
Other assets and liabilities, net	(1,837)	(3,945)	(1,801)
Accounts payable and accrued liabilities	(2,572)	(5,679)	9,294
Net cash provided by operating activities	<u>26,692</u>	<u>34,933</u>	<u>44,874</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(13,287)	(18,045)	(10,859)
Payments for acquisitions, net of cash received of \$1,081, \$0 and \$2,174	(5,814)	(17,064)	(47,129)
Payment of direct costs in connection with acquisitions	(164)	(242)	(2,613)
Proceeds from disposals of property, plant and equipment	2,587	1,068	2,214
Other investing activities	(581)	(2,206)	
Net cash used in investing activities	<u>(17,259)</u>	<u>(36,489)</u>	<u>(58,387)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings			6,620
Repayments of borrowings	(6,769)	(1,967)	(113)
Proceeds from issuances of common stock	867	1,247	15,200
Cash paid related to common stock issuance costs	(36)		(180)
Debt issuance costs	(1,069)	(166)	(1,598)
Net cash provided by (used in) financing activities	<u>(7,007)</u>	<u>(886)</u>	<u>19,929</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,426</u>	<u>(2,442)</u>	<u>6,416</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>4,685</u>	<u>7,127</u>	<u>711</u>

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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 7,111	\$ 4,685	\$ 7,127
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	\$ 15,374	\$ 15,306	\$ 17,865
Cash paid for income taxes	\$ 303	\$ 6,445	\$ 336
Supplemental disclosure of noncash investing and financing activities:			
Additions to property, plant and equipment from exchanges	\$	\$ 88	\$
Receivable from sale of assets	\$	\$ 450	\$
Common stock and stock options issued in connection with acquisitions and contingent consideration	\$ 4,480	\$ 349	\$ 12,375
Exchange of stock options for restricted stock	\$ 1,374	\$	\$

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

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

U.S. Concrete, Inc., a Delaware corporation, provides ready-mixed concrete and related concrete products and services to the construction industry in several major markets in the United States. U.S. Concrete is a holding company and conducts its businesses through its consolidated subsidiaries.

U.S. Concrete commenced operations in May 1999 when it acquired six operating businesses in three major markets in the United States. Since then, and through December 31, 2003, U.S. Concrete has acquired an additional 23 operating businesses in these and seven additional markets in the United States.

U.S. Concrete's future success depends on a number of factors, which include attracting and retaining qualified management and employees, complying with government regulations and other regulatory requirements or contract specifications and addressing risks associated with competition, seasonality and quarterly fluctuations, integrating operations successfully, managing growth, identifying and acquiring satisfactory acquisition candidates and obtaining acquisition financing.

Basis of Presentation

The consolidated financial statements consist of the accounts of U.S. Concrete and its wholly owned subsidiaries. All significant intercompany account balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

U.S. Concrete records as cash equivalents all highly liquid investments having maturities of three months or less at the date of purchase.

Inventories

Inventories consist primarily of raw materials, precast products, building materials and repair parts that U.S. Concrete holds for use or sale in the ordinary course of business. It uses the first-in, first-out method to value inventories at the lower of cost or market.

Prepaid Expenses

Prepaid expenses primarily include amounts U.S. Concrete has paid for insurance, licenses, property taxes, rent and maintenance contracts. It expenses or amortizes all prepaid amounts as used or over the period of benefit, as applicable.

Property, Plant and Equipment, Net

U.S. Concrete states property, plant and equipment at cost and uses the straight-line method to compute depreciation of these assets over the following estimated useful lives: buildings and land improvements, from 10 to 40 years; machinery and equipment, from 10 to 30 years; mixers, trucks and other vehicles, from 6 to 12 years; and other, from 3 to 10 years. It capitalizes leasehold improvements on properties held under operating leases and amortizes them over the lesser of their estimated useful lives or the applicable lease term.

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. Concrete expenses maintenance and repair costs when incurred and capitalizes and depreciates expenditures for major renewals and betterments that extend the useful lives of its existing assets. When U.S. Concrete retires or disposes of property, plant or equipment, it removes the related cost and accumulated depreciation from its accounts and reflects any resulting gain or loss in its statements of operations.

In January 2002, U.S. Concrete acquired mineral rights in its acquisition of an aggregates business. Depletion of the related mineral deposits is computed on the basis of the estimated quantity of recoverable raw materials.

Effective January 1, 2002, U.S. Concrete began evaluating the recoverability of its property, plant and equipment in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. U.S. Concrete compares the carrying value of long-lived assets to its projection of future undiscounted cash flows attributable to such assets and in the event that the carrying value exceeds the future undiscounted cash flows, U.S. Concrete records an impairment charge against income equal to the excess of the carrying value over the asset's fair value. Prior to January 1, 2002, U.S. Concrete evaluated its property, equipment and intangible assets in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. In the fourth quarter of 2002, U.S. Concrete recorded impairment charges totaling \$2.5 million for certain equipment that was removed from service or held for disposal. This charge was classified as a component of the restructuring and impairments in the consolidated statement of operations for the year ended December 31, 2002 (see Note 5 for further discussion).

Goodwill

Goodwill represents the amount by which the total purchase price U.S. Concrete has paid to acquire businesses accounted for as purchases exceeds the estimated fair value of the net assets acquired. As a result of adopting SFAS No. 142, U.S. Concrete's goodwill is no longer amortized. Under SFAS No. 142, U.S. Concrete's goodwill is periodically tested for impairment. SFAS No. 142 provided a six-month transitional period to complete the initial impairment review. U.S. Concrete completed its initial impairment review during the quarter ended June 30, 2002. That review indicated impairments attributable to two reporting units. As a result, U.S. Concrete recorded a transitional goodwill impairment charge of \$24.3 million, net of tax, which it has presented as a cumulative effect of accounting change in the consolidated statement of operations for the year ended December 31, 2002 (see Note 2 for further discussion). In the fourth quarter of 2002, U.S. Concrete recorded a goodwill impairment charge of \$25.6 million, representing the remaining goodwill associated with those two reporting units (see Notes 2 and 5 for further discussion).

The following table reconciles net income, basic earnings per share and diluted earnings per share for the year ended December 31, 2001, adjusted for the effect of SFAS No. 142 (in thousands, except per share amounts):

2001

Net income:

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Reported net income	\$ 9,545
Add: goodwill amortization, net of tax	3,993
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Adjusted net income	\$ 13,538
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Earnings per share:	
Reported basic and diluted	\$ 0.39
Adjusted basic and diluted	\$ 0.55

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Debt Issue Costs

Other assets include debt issue costs related to U.S. Concrete's prior revolving credit facility and senior subordinated notes. U.S. Concrete amortizes these costs as interest expense over the scheduled maturity period of the debt. As a result of a decrease in the commitment under the prior revolving credit facility (see Note 9 for discussion), U.S. Concrete expensed approximately \$0.4 million of the unamortized debt issuance costs as interest expense during the year ended December 31, 2003. As of December 31, unamortized debt issuance costs were \$2.5 million in 2003 and \$3.6 million in 2002.

Allowance for Doubtful Accounts

U.S. Concrete provides an allowance for accounts receivable it believes it may not collect in full. A provision for bad debt expense recorded to selling, general and administrative expenses increases the allowance. Accounts receivable that U.S. Concrete writes off its books decrease the allowance. U.S. Concrete determines the amount of bad debt expense it records each period and the resulting adequacy of the allowance at the end of each period by using a combination of its historical loss experience, a customer-by-customer analysis of its accounts receivable balances each period and subjective assessments of its bad debt exposure.

Sales and Expenses

U.S. Concrete derives substantially all its sales from the production and delivery of ready-mixed concrete, other onsite products and related building materials. It recognizes sales when products are delivered. Amounts billed to customers for delivery costs are classified as a component of total revenues and the related delivery costs are classified as a component of total cost of goods sold. Cost of goods sold consists primarily of product costs and operating expenses (excluding depreciation, depletion and amortization). Operating expenses consist primarily of wages, benefits, insurance and other expenses attributable to plant operations, repairs and maintenance and delivery costs. Selling expenses consist primarily of sales commissions, salaries of sales managers, travel and entertainment expenses and trade show expenses. General and administrative expenses consist primarily of executive and administrative compensation and benefits, office rent, utilities, communication and technology expenses, provision for doubtful accounts and professional fees.

Insurance Programs

U.S. Concrete maintains third-party insurance coverage in amounts and against the risks it believes are reasonable. Under its insurance program in effect since July 2001, U.S. Concrete shares the risk of loss with its insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. U.S. Concrete funds those deductibles and records an expense for losses it expects under the programs. U.S. Concrete determines expected losses using a combination of its historical loss experience and subjective assessments of its future loss exposure.

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The estimated losses are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation and economic conditions. Although U.S. Concrete believes that the estimated losses are reasonable, significant differences related to the items noted above could materially affect U.S. Concrete's insurance obligations and future expense. As of December 31, the amounts accrued for self-insurance claims were \$6.6 million in 2003 and \$5.3 million in 2002.

Reclamation

The estimated cost of reclamation is accrued over the life of the mineral deposits based on tons mined in relation to total estimated tons of reserves. Expenditures to reclaim land are charged to the reserves as incurred.

Income Taxes

U.S. Concrete uses the liability method of accounting for income taxes. Under this method, it records deferred income taxes based on temporary differences between the financial reporting and tax bases of assets and

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

liabilities and uses enacted tax rates and laws that U.S. Concrete expects will be in effect when it recovers those assets or settles those liabilities, as the case may be, to measure those taxes.

U.S. Concrete files a consolidated federal income tax return, which includes the operations of all acquired businesses for periods subsequent to their respective acquisition dates. The acquired businesses file short period federal income tax returns for the period from their last fiscal year through their respective acquisition dates.

Fair Value of Financial Instruments

The financial instruments of U.S. Concrete consist primarily of cash and cash equivalents, trade receivables, trade payables and long-term debt. U.S. Concrete's management considers the carrying values of cash and cash equivalents, trade receivables, trade payables and the revolving credit facility to be representative of their respective fair values. The fair value of the senior subordinated notes is estimated based on interest rates for the same or similar debt offered to U.S. Concrete having the same or similar remaining maturities and collateral requirements. As of December 31, the fair value of U.S. Concrete's \$95 million principal amount of senior subordinated notes was \$107.3 million in 2003 and \$99.1 million in 2002.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions by management 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. Estimates and assumptions that U.S. Concrete considers significant in the preparation of its financial statements include those related to its allowance for doubtful accounts, realization of goodwill, accruals for self-insurance, accruals for income tax provision and the valuation and useful lives of property, plant and equipment.

Earnings per Share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding during the year, but also include the dilutive effect of stock-based incentives and option plans (including stock options and awards of restricted stock).

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The following table reconciles the numerator and denominator of the basic and diluted earnings per share during the years ended December 31, 2003, 2002 and 2001 (in thousands, except per share amounts).

	2003	2002	2001
Numerator:			
Net income (loss)	\$ 10,303	\$ (28,366)	\$ 9,545
Denominator:			
Weighted average common shares outstanding-basic	28,003	26,825	24,551
Effect of dilutive stock options and restricted stock	102		70
Weighted average common shares outstanding-diluted	\$ 28,105	\$ 26,825	\$ 24,621
Earnings (loss) per share:			
Basic	\$ 0.37	\$ (1.06)	\$ 0.39
Diluted	\$ 0.37	\$ (1.06)	\$ 0.39

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, options to purchase 3.1 million in 2003, 4.1 million in 2002 and 1.9 million in 2001 shares of common stock were excluded from the computation of diluted earnings per share because their exercise prices were greater than the average market price of the common stock.

Comprehensive Income

Comprehensive income represents all changes in equity of an entity during the reporting period, except those resulting from investments by and distributions to stockholders. For each of the three years in the period ended December 31, 2003, no differences existed between the historical consolidated net income and consolidated comprehensive income of U.S. Concrete.

Segment Information

U.S. Concrete has adopted SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, which establishes standards for the manner by which public enterprises are to report information about operating segments in annual financial statements and requires the reporting of selected information about operating segments in interim financial reports issued to stockholders. All segments that meet a threshold of 10% of revenues, reported profit or loss or combined assets are defined as significant segments. U.S. Concrete currently aggregates its ready-mixed concrete and other concrete related products as one reportable segment. All of its operations, sales and long-lived assets are in the United States.

Stock Options

Under the requirements of SFAS No. 123, as amended by SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123, U.S. Concrete accounts for stock option awards in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and its related interpretations. Under APB No. 25, no compensation expense is recognized when the exercise price is greater than or equal to the market price of the underlying common stock on the date of grant. The exercise price per share of each stock option U.S. Concrete awarded during 2003, 2002 and 2001 was greater than or equal to the fair market value of a share of U.S. Concrete's common stock on the date of grant.

The following table reflects pro forma net income (loss) and earnings (loss) per share implications if the fair value method of SFAS No. 123 had been applied to all awards that vested during the years ended December 31, 2003, 2002 and 2001 (in thousands, except per share amounts):

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	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net income (loss)	\$ 10,303	\$ (28,366)	\$ 9,545
Add: Total stock-based employee compensation expense included in reported net income (loss), net of related tax effects	216		871
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards vested during the year, net of any tax effects	<u>(1,918)</u>	<u>(1,713)</u>	<u>(2,299)</u>
Pro forma net income (loss)	<u>\$ 8,601</u>	<u>\$ (30,079)</u>	<u>\$ 8,117</u>
Earnings (loss) per share:			
Reported basic and diluted	\$ 0.37	\$ (1.06)	\$ 0.39
Pro forma basic and diluted	\$ 0.31	\$ (1.12)	\$ 0.33

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The weighted average fair values of options at their grant date for 2003, 2002 and 2001, where the exercise price equaled the market price on the grant date, were \$1.43, \$2.01 and \$4.85, respectively. The estimated fair values for options granted in 2003, 2002 and 2001 were calculated using a Black-Scholes option pricing model, with the following weighted-average assumptions for 2003, 2002 and 2001, respectively: risk-free interest rate of 3.25%, 2.78% and 5.00%; no dividend yield; volatility factor of 0.314, 0.313 and 0.542; and an expected option life of 5, 5 and 10 years.

For additional discussion related to stock options, see Note 10.

Recent Accounting Requirements

In April 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have an impact on U.S. Concrete's consolidated financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liability and Equity (SFAS No. 150). SFAS No. 150 provides that certain financial instruments with characteristics of both liability and equity are to be classified as a liability. The statement is effective July 1, 2003 for existing financial instruments and May 31, 2003 for new or modified financial instruments. U.S. Concrete does not have financial instruments that qualify under this statement.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others, which clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to a guarantor's accounting for and disclosures of certain guarantees issued. FIN 45 requires enhanced disclosures for certain guarantees. It also will require U.S. Concrete to record certain guarantees that it issues or modifies after December 31, 2002, including certain third-party guarantees, on the balance sheet initially at fair value. For guarantees issued on or before December 31, 2002, liabilities are recorded when and if payments become probable and estimable. The adoption of FIN 45 did not have an impact on U.S. Concrete's consolidated financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, which clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, relating to consolidation of certain entities. FIN 46 will require identification of U.S. Concrete's participation in variable interest entities (VIEs), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a stand-alone basis, or whose equity holders lack certain characteristics of a controlling financial interest. For entities identified as VIEs, FIN 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN 46 also sets forth certain disclosures regarding interests in VIE that are deemed significant, even if consolidation is not

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required. FIN 46 as amended must be applied at the end of periods ending after March 15, 2004, and is effective immediately for all new VIEs created or acquired after January 31, 2003. As U.S. Concrete does not maintain any VIE, the adoption of FIN 46 did not have an impact on its consolidated financial position, results of operations or cash flows.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. GOODWILL**

U.S. Concrete adopted SFAS No. 142 effective January 1, 2002. Under SFAS No. 142, substantially all of U.S. Concrete's intangible assets are no longer amortized and U.S. Concrete must perform an annual impairment test for goodwill and other intangible assets. U.S. Concrete allocates these assets to various reporting units, consisting of eight operating divisions. SFAS No. 142 requires U.S. Concrete to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is a potential impairment. If the fair value of the reporting unit is less than its carrying value, U.S. Concrete would record an impairment loss to the extent of that difference. The impairment test for intangible assets consists of comparing the fair value of the intangible asset to its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, U.S. Concrete would recognize an impairment. U.S. Concrete bases the fair values of its reporting units on a combination of valuation approaches, including discounted cash flows, multiples of sales and earnings before interest, taxes, depreciation, depletion and amortization and comparisons of recent transactions. Under SFAS No. 142, U.S. Concrete recorded a transitional goodwill impairment charge of \$36.6 million (\$24.3 million, net of tax), which it presented as a cumulative effect of accounting change in the first quarter of 2002. This impairment charge was attributable to two reporting units, its divisions in North Texas/Southwest Oklahoma and Memphis, Tennessee/Northern Mississippi. Local market and economic conditions affected the value of acquisitions made in North Texas (in 2000 and 2001) and Memphis, Tennessee/Northern Mississippi (in 1999).

Subsequently, in the fourth quarter of 2002, U.S. Concrete conducted its annual valuation test and determined that two reporting units, its divisions in North Texas/Southwest Oklahoma and Memphis, Tennessee/Northern Mississippi, had experienced a further decline in value and determined that the fair value of goodwill in those reporting units was less than its carrying amount. U.S. Concrete recorded a goodwill impairment charge of \$25.6 million, representing the remaining goodwill associated with those reporting units. This charge was included as a component of restructuring and impairment charges in the consolidated statement of operations in 2002 (see Note 5 for further discussion). In the fourth quarter of 2003, U.S. Concrete conducted its annual valuation test and determined it was not required to recognize any goodwill impairment. There can be no assurance that goodwill impairments will not occur in the future.

The changes in the carrying amount of goodwill for the two years ended December 31, 2003 and 2002 were as follows (in thousands):

Balance at January 1, 2002	\$ 219,868
Impairments	(62,223)
Adjustments	(281)
	<hr/>
Balance at December 31, 2002	\$ 157,364
Acquisition	6,269
Adjustments	1,593
	<hr/>
Balance at December 31, 2003	\$ 165,226
	<hr/>

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During the third quarter of 2003, U.S. Concrete increased goodwill by \$0.8 million to correct an inventory overstatement related to the acquisition date of one of its subsidiaries in its Atlantic Region (see Note 6 for discussion). The \$0.8 million increase in goodwill represents a correction of a \$1.4 million overstatement of inventories in the opening balance sheet of that subsidiary and a \$0.6 million increase of deferred tax assets established in the opening balance sheet related to the change in inventories. The other goodwill adjustments primarily represent post-acquisition adjustments to reflect the contingent consideration payment related to that 2001 business acquisition and the adjustment of certain preacquisition tax contingencies related to the acquisition of a business in 2000. The goodwill adjustments in 2002 primarily represent post-acquisition adjustments to reflect the final fair values of assets acquired and liabilities assumed in the acquisition of five businesses in 2001.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

See Note 1 for pro forma disclosure of net income and earnings per share for the year ended December 31, 2001 under SFAS No. 142.

3. BUSINESS COMBINATIONS

In February 2003, U.S. Concrete completed the acquisition of Builders Redi-Mix, Inc., which produces and distributes ready-mixed concrete in the greater Lansing, Michigan market. The purchase price was approximately \$10.3 million, comprised of \$5.8 million in cash, net of cash acquired, transaction costs of \$0.2 million and 920,726 shares of common stock (valued at \$4.3 million). The purchase price has been allocated to the fair value of property and equipment of \$4.4 million, goodwill of \$6.3 million and net assumed liabilities of \$0.4 million (net of other current assets of \$2.3 million) in the accompanying consolidated balance sheet. U.S. Concrete has accounted for this transaction under the purchase method of accounting, and the excess of the purchase price compared to the fair market value of assets acquired has been allocated to goodwill. U.S. Concrete also effected one acquisition in 2002, seven in 2001, six in 2000 and 14 in 1999, including its initial six acquisitions at the time of its IPO, all of which were accounted for as purchases. The following table summarizes the aggregate consideration U.S. Concrete paid for transactions during the years ended December 31, 2003, 2002 and 2001:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Consideration (in thousands):			
Cash	\$ 6,895	\$ 17,064	\$ 49,303
Fair value of common stock issued	4,333		12,375
Total	\$ 11,228	\$ 17,064	\$ 61,678

The following summarized unaudited pro forma consolidated financial information for the years ended December 31, 2003 and 2002 adjusts the historical consolidated financial information to reflect the assumption that all acquisitions since 2001 occurred on January 1, 2002 (in thousands, except per share data):

	<u>2003</u>	<u>2002</u>
	(unaudited)	
Revenues	\$ 473,420	\$ 517,326
Net income (loss) before cumulative effect of accounting change	\$ 10,228	\$ (3,311)
Net income (loss)	\$ 10,228	\$ (27,639)
Basic and diluted earnings (loss) per share	\$ 0.37	\$ (1.00)

The pro forma financial information for 2002 includes a cumulative effect of a change in accounting principle effective January 1, 2002, which resulted in a transitional charge to earnings, net of tax, of \$24.3 million (see Note 2 for discussion) and restructuring and impairment charges to income from operations of \$28.4 million (see Note 5 for discussion).

Pro forma adjustments in these amounts primarily relate to:

contractual reductions in salaries, bonuses and benefits to employees and former owners of the acquired businesses;

elimination of sellers' legal, accounting and other professional fees incurred in connection with the acquisitions;

adjustments to interest expense, net to reflect borrowings incurred to fund acquisitions; and

adjustments to the federal and state income tax provision based on pro forma operating results.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The pro forma financial information does not purport to represent what the combined financial results of operations of U.S. Concrete actually would have been if these transactions and events had in fact occurred when assumed and are not necessarily representative of its financial results of operations for any future period.

In connection with the acquisitions, U.S. Concrete has determined the resulting goodwill during the years ended December 31, 2003, 2002 and 2001 as follows (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash consideration	\$ 6,895	\$ 17,064	\$ 49,303
Less: cash received from acquired companies	(1,081)		(2,174)
Cash paid, net of cash acquired	5,814	17,064	47,129
Fair value of common stock issued	4,333		12,375
Direct acquisition costs incurred	164	242	2,613
Total purchase costs incurred, net of cash acquired	10,311	17,306	62,117
Fair value of assets acquired, net of cash acquired	6,832	17,606	40,056
Less: fair value of assumed liabilities	(2,790)	(300)	(14,257)
Fair value of net assets acquired, net of cash acquired	4,042	17,306	25,799
Costs incurred in excess of fair value of net assets acquired	\$ 6,269	\$	\$ 36,318

4. SPECIAL COMPENSATION AND SETTLEMENTS*Special Compensation*

In 2001, U.S. Concrete granted incentive compensation to members of its management team and some of its key employees in recognition of the overall contribution those employees made to its various 2001 capital raising initiatives. This capital raising incentive compensation award was in addition to U.S. Concrete's recurring annual incentive compensation program. U.S. Concrete recorded the \$2.1 million special compensation charge as an operating expense in 2001.

Settlements

In 2001, U.S. Concrete and its subsidiary, Central Concrete Supply Co., Inc. (Central), entered into a settlement agreement with Del Webb California Corp. and its parent company, Del Webb Corporation (together, Del Webb), relating to litigation initiated against U.S. Concrete and others involving claims of defective concrete provided by Central for use in a large, single-family home tract-construction project in Northern California. Under the settlement agreement, U.S. Concrete agreed to accept a back charge in the amount of \$0.6 million from Del Webb and pay an additional \$2.2 million to Del Webb. U.S. Concrete recorded the \$2.8 million charges as selling, general and administrative expenses in 2001.

In 2003, U.S. Concrete asserted a legal claim against two former owners of a U.S. Concrete subsidiary in the Atlantic Region for indemnification under an acquisition agreement for breach of representations made by the former owners in the acquisition agreement. Those prior owners provided U.S. Concrete with indemnification consideration of \$2.0 million to settle their claim, consisting of cash, the return of U.S. Concrete common stock and other assets, which U.S. Concrete recorded as other income in the fourth quarter of 2003. Receivables of \$0.8 million in cash and \$0.2 million in other assets were included in other current receivables and other assets as of December 31, 2003. A receivable of \$1.0 million in U.S. Concrete common stock was reflected as a reduction in stockholders' equity as of that date.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. RESTRUCTURING AND IMPAIRMENT CHARGES**

In the fourth quarter of 2002, U.S. Concrete implemented operational initiatives focusing on the realignment of the business in its North Texas and Memphis, Tennessee/Northern Mississippi markets. In connection with those initiatives, U.S. Concrete completed a restructuring plan that included severance for one employee, lease terminations, the disposal of assets, the write-down of certain equipment and other actions. U.S. Concrete recorded restructuring and impairment charges totaling \$28.4 million (\$18.9 million, net of tax) for the year ended December 31, 2002. The restructuring and impairments charges were composed of goodwill impairments of \$25.6 million related to two reporting units in U.S. Concrete's North Texas/Southwest Oklahoma and Memphis, Tennessee/Northern Mississippi markets (see Note 2 for discussion), assets impairment charges of \$2.5 million primarily related to rolling stock, severance costs of \$0.1 million and lease termination and other exit costs of \$0.2 million. The impaired assets sold, totaling approximately \$0.9 million as of December 31, 2002, were included in prepaid and other current assets in the consolidated balance sheet. U.S. Concrete sold substantially all of those assets in the first quarter of 2003 for \$1.3 million.

A summary of the remaining liability for restructuring costs is as follows (in thousands):

	Total Recorded	Cash paid in 2002	Non-cash items	Liability at December 31, 2002	Cash paid in 2002	Noncash items	Liability at December 31, 2003
Severance costs	\$ 90	\$	\$	\$ 90	\$ 90	\$	\$
Lease termination and other exit costs	250	44	15	191	130		61
Asset impairments	2,503		2,503				
Goodwill impairments	25,597		25,597				
Total	\$ 28,440	\$ 44	\$ 28,115	\$ 281	\$ 220	\$	\$ 61

The restructuring liability, totaling \$0.1 million as of December 31, 2003, is included in accrued liabilities in the consolidated balance sheet.

6. INVENTORIES

Inventory consists of the following (in thousands):

December 31

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	2003	2002
Raw materials	\$ 8,218	\$ 8,151
Precast products	4,410	7,264
Building materials for resale	3,605	4,050
Repair parts	1,871	1,579
	\$ 18,104	\$ 21,044

During the third quarter of 2003, U.S. Concrete identified an inventory overstatement at one of its subsidiaries in its Atlantic Region. As a result, U.S. Concrete reduced inventory by \$2.5 million to account for this overstatement in the third quarter of 2003. Since the impact to U.S. Concrete's 2001 and 2002 annual financial statements was not material, U.S. Concrete recorded an increase of \$1.1 million, or \$0.7 million net of tax, to cost of goods sold in the third quarter of 2003. The cost of goods sold, properly reflected in the respective prior periods, would have decreased annual net income for 2001 by \$0.2 million and increased the annual net loss

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

for 2002 by \$0.5 million. U.S. Concrete reflected the remaining \$1.4 million of the overstatement, which related to the acquisition date, as a \$0.8 million increase in goodwill and a \$0.6 million increase in deferred tax assets as of December 31, 2003 (see Note 2 for discussion).

7. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment is as follows (in thousands):

	December 31	
	2003	2002
Land and mineral deposits	\$ 33,461	\$ 32,196
Buildings and improvements	10,094	9,377
Machinery and equipment	56,808	46,933
Mixers, trucks and other vehicles	62,934	56,680
Other, including construction in progress	2,346	5,824
	<u>165,643</u>	<u>151,010</u>
Less: accumulated depreciation and depletion	(44,621)	(33,811)
	<u>\$ 121,022</u>	<u>\$ 117,199</u>

8. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Activity in U.S. Concrete's allowance for doubtful accounts receivable consists of the following (in thousands):

	December 31		
	2003	2002	2001
Balance, beginning of period	\$ 4,497	\$ 3,667	\$ 1,627
Additions from acquisitions	83		1,031
Provision for doubtful accounts	931	2,126	2,507

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Uncollectible receivables written off, net of recoveries	(872)	(1,296)	(1,498)
	<u> </u>	<u> </u>	<u> </u>
Balance, end of period	\$ 4,639	\$ 4,497	\$ 3,667
	<u> </u>	<u> </u>	<u> </u>

Prepaid expenses and other current assets consist of the following (in thousands):

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Prepaid expenses	\$ 2,566	\$ 2,639
Other current receivables	7,953	5,969
Assets held for sale		850
Other current assets	7,590	4,117
	<u> </u>	<u> </u>
	\$ 18,109	\$ 13,575
	<u> </u>	<u> </u>

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Accounts payable and accrued liabilities consist of the following (in thousands):

	December 31	
	2003	2002
Accounts payable	\$ 35,395	\$ 23,803
Accrued compensation and benefits	1,329	3,999
Accrued interest	2,009	2,319
Accrued income taxes	775	2,844
Accrued insurance	6,589	5,318
Other	11,823	17,261
	\$ 57,920	\$ 55,544

9. LONG-TERM DEBT

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

	December 31	
	2003	2002
Revolving credit facility	\$ 60,000	\$ 66,730
12.00% senior subordinated notes	95,000	95,000
Other	39	78
	155,039	161,808
Less: current maturities	(13,610)	(56)
Long-term debt, net of current maturities	\$ 141,429	\$ 161,752

Prior Credit Facility

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Until March 12, 2004, U.S. Concrete maintained a revolving credit facility totaling \$100 million that was scheduled to mature in May 2004. U.S. Concrete's subsidiaries fully and unconditionally guaranteed the repayment of all amounts owing under the facility, and U.S. Concrete collateralized the facility with the capital stock and assets of its subsidiaries on a joint and several basis. U.S. Concrete used this credit facility for the following purposes:

working capital;

internal expansion of its operations;

financing acquisitions; and

general corporate purposes.

The credit agreement provided that at the time of each borrowing, U.S. Concrete selected an interest rate for that borrowing at a specified margin above either prime or LIBOR. Commitment fees at an annual rate of 0.50% were paid on the unused portion of this credit facility. As of December 31, 2003, \$60.0 million was outstanding under this credit facility at a weighted average annual interest rate of 4.2%. As of December 31, 2002, the outstanding balance under this credit facility had a weighted average annual interest rate of 4.3%.

The credit agreement contained covenants that placed limitations on incurring certain indebtedness, prepaying indebtedness, paying dividends, purchasing treasury stock and making capital expenditures,

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

acquisitions and investments. The agreement also required U.S. Concrete to maintain certain financial ratios as of the end of each quarter, including leverage, fixed coverage and asset coverage ratios. Effective as of October 15, 2003, U.S. Concrete entered into a fourth amendment to the agreement to, among other things, reduce the total commitments from \$200 million to \$100 million, increase the permissible total leverage ratio and decrease the minimum fixed charge coverage ratio. This amendment remained in effect through the repayment of this facility on March 12, 2004. As of December 31, 2003, U.S. Concrete was in compliance with these amended covenants. As of December 31, 2003, U.S. Concrete had \$40.0 million of remaining capacity under this facility, of which it could have borrowed approximately \$8.0 million based on its leverage ratio at that date.

Refinancing of Prior Credit Facility

On March 12, 2004, U.S. Concrete terminated that facility and repaid the entire amount then outstanding thereunder with borrowings under its new asset-backed revolving credit and term loan facility. This facility consists of a revolving credit facility of up to \$100 million and a term loan facility of up to \$25 million which it has secured with substantially all its assets. On March 12, 2004, U.S. Concrete initially borrowed \$44 million under the revolving credit facility and \$20 million under the term loan facility. The balance of the term loan facility will be available to U.S. Concrete until June 10, 2004 if it meets specified conditions, principally the establishment of additional collateral value for the term loan. U.S. Concrete has the option until June 10, 2004 to reallocate the balance of the term loan to increase the revolving credit facility in such an amount.

The revolving credit facility will terminate, and all revolving credit loans will become due, on March 12, 2009. The term loan will be payable in a lump sum on March 12, 2007. Both the revolving credit loans and the term loan will be subject to the mandatory prepayment provisions described below. Prepayments under the revolving credit facility will not reduce the amount thereafter available to U.S. Concrete under the facility, while amounts prepaid on the term loan cannot be reborrowed.

The revolving credit loans and the term loan will bear interest at fluctuating rates payable monthly in arrears. These rates will be either a domestic base rate or a Eurodollar base rate plus, in each case, a margin. U.S. Concrete generally will have the option to specify whether the domestic rate or the Eurodollar rate will apply to all or a portion of the loans. In the case of domestic rate loans, the margin will be 125 basis points for revolving credit loans and 150 basis points for the term loan until September 12, 2004. Thereafter, the domestic rate margins will vary from 50 to 125 basis points for revolving credit loans and from 75 to 150 basis points for the term loan. In the case of Eurodollar rate loans, the margin will be 275 basis points for revolving credit loans and 300 basis points for the term loan until September 12, 2004. Thereafter, the Eurodollar rate margins will vary from 200 to 275 basis points for revolving credit loans and from 225 to 300 basis points for the term loan. In each case, the amount of the margin will be keyed to the amount of unused borrowing capacity available to U.S. Concrete under the revolving credit facility. The maximum margins will apply if that capacity is less than \$20 million, and the margins will decrease as that capacity increases in specified increments. At March 12, 2004, based on the domestic base rates, the weighted average annual interest rate of the initial borrowings under the new facility was 5.3%.

The credit agreement provides for mandatory prepayments of the revolving credit loans in the event the amounts outstanding under the revolving credit facility become under-collateralized and in certain other events, including various types of asset sales, insured casualty or loss events, debt incurrences and equity issuances. The term loan also is subject to prepayment in the event it becomes under-collateralized and upon certain other

events, including certain asset sales.

Senior Subordinated Notes 12.00%

In 2000, U.S. Concrete issued and sold to institutional investors in a private placement \$95 million aggregate principal amount of its 12.00% senior subordinated notes due November 10, 2010. These notes:

are mandatorily repayable in equal annual installments of approximately \$13.6 million on November 10 in each of the years 2004 through 2010;

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

are subordinated in right of payment to the indebtedness outstanding under the credit facility;

are guaranteed by U.S. Concrete's subsidiaries; and

require U.S. Concrete to comply with covenants generally consistent with those required under its former credit facility.

U.S. Concrete used the net proceeds from its sale of the notes to reduce amounts outstanding under its former credit facility.

Long-term debt maturing over the next five years and thereafter are presented below (in thousands). The maturities below reflect the refinancing of U.S. Concrete's credit facility on March 12, 2004.

<u>Period</u>	<u>Amount</u>
2004	\$ 13,610
2005	13,571
2006	13,571
2007	33,571
2008	13,571
2009 and thereafter	67,145
Total	\$ 155,039

10. STOCKHOLDERS' EQUITY*Restricted Stock*

Shares of restricted common stock issued pursuant to U.S. Concrete's 1999 Incentive Plan and 2001 Employee Incentive Plan are subject to restrictions on transfer and certain other conditions. During the restriction period, the plan participants are entitled to vote and receive dividends on their restricted shares. Upon issuance of the common stock, a deferred compensation expense equivalent to the market value of the shares on the date of grant is charged to stockholders' equity and is amortized over the restriction period.

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During the first quarter of 2003, U.S. Concrete awarded to certain key employees 97,561 restricted shares of common stock (valued at \$0.4 million). The awards are subject to vesting requirements. The value of this stock was established by the market price on the date of grant and was recorded as deferred compensation. The deferred compensation is reflected as a reduction in stockholders' equity on the consolidated balance sheet and is being amortized ratably over the applicable restricted stock vesting period of five years.

On August 22, 2003, U.S. Concrete offered eligible employees the opportunity to exchange their outstanding stock options, with an exercise price of \$8.00 or more, for restricted shares of U.S. Concrete's common stock, at an exchange ratio of one share of restricted stock for every three option shares tendered. As restricted stock, the shares are subject to forfeiture and other restrictions until they vest. Regardless of the vesting schedule of the eligible options offered for exchange, the restricted stock granted in the offer vests over three years in equal annual installments on September 22 of each year, beginning September 22, 2004, assuming the employee continues to meet the requirements for vesting. On September 22, 2003, U.S. Concrete accepted for exchange and canceled eligible options to purchase an aggregate of 859,140 shares of its common stock, representing approximately 93% of the 921,754 options that were eligible to be tendered in the offer as of the expiration date. Under the offer, U.S. Concrete granted an aggregate of 286,381 restricted shares of its common stock, or approximately \$1.4 million in value, in exchange for the tendered eligible options. The value of this

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

stock was established by the market price on the date of the grant and was recorded as a reduction in stockholders' equity on the consolidated balance sheet. This restricted deferred compensation reflected as stock issuance requires U.S. Concrete to recognize a noncash stock compensation charge of approximately \$0.5 million per year over the three-year vesting period of the restricted stock. U.S. Concrete is required to account for the remaining 62,614 eligible options that were not exchanged using variable plan accounting under APB Opinion No. 25 and its related interpretations. The weighted average exercise price of these remaining eligible options is \$8.12. In the future, to the extent that U.S. Concrete's stock price exceeds an option's exercise price, the difference will be recorded as a noncash compensation charge, with an offset to additional paid-in capital. No charges have been recorded with respect to these remaining options through December 31, 2003.

In December 2003, U.S. Concrete awarded to certain employees 114,666 restricted shares of common stock (valued at \$0.6 million). The awards are subject to vesting requirements. The value of this stock was established by the market price on the date of grant and was recorded as deferred compensation. The deferred compensation is reflected as a reduction in stockholders' equity on the consolidated balance sheet and is being amortized ratably over the applicable restricted stock vesting period of 42 months.

The number of outstanding shares of restricted stock totaled 516,056 as of December 31, 2003 and 17,847 as of December 31, 2002 and 2001. U.S. Concrete recognized stock compensation expense of approximately \$0.3 million in 2003 and \$0.9 million in 2001 related to restricted stock awards. No stock compensation expense was incurred in 2002.

Stock Options

U.S. Concrete's 1999 Incentive Plan and 2001 Employee Incentive Plans enable U.S. Concrete to grant nonqualified and incentive options, restricted stock, stock appreciation rights and other long-term incentive awards to employees and nonemployee directors of U.S. Concrete and nonemployee consultants and other independent contractors who provide services to U.S. Concrete (except that no officers or directors of U.S. Concrete are eligible to participate in the 2001 Employee Incentive Plan). Options U.S. Concrete grants under these plans generally vest over a four-year period and expire if not exercised prior to the tenth anniversary following the grant date. The number of shares available for awards under these plans was approximately 2.1 million as of December 31, 2003, approximately 1.3 million as of December 31, 2002 and approximately 1.8 million as of December 31, 2001. The board of directors of U.S. Concrete may, in its discretion, grant additional awards or establish other compensation plans.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables set forth certain stock option information (shares in thousands):

	Number of Options	Weighted- Average Exercise Price
Options outstanding at December 31, 2000	2,400	\$ 7.74
Granted	1,179	7.07
Exercised	(17)	6.81
Canceled	(148)	7.52
Options outstanding at December 31, 2001	3,414	7.53
Granted	1,138	6.25
Exercised		
Canceled	(458)	7.05
Options outstanding at December 31, 2002	4,094	7.22
Granted	125	4.58
Exercised		
Canceled	(1,119)	7.80
Options outstanding at December 31, 2003	3,100	\$ 6.90
Options exercisable at December 31, 2001	955	\$ 7.84
Options exercisable at December 31, 2002	1,698	\$ 7.64
Options exercisable at December 31, 2003	1,796	\$ 7.16

Range of Exercise Prices	Number of Outstanding Options	Weighted- Average Remaining Years of Contractual Life	Weighted- Average Exercise Price	Number of Exercisable Options	Weighted- Average Exercise Price
\$4.08 \$6.26	156	5.9	\$ 4.74	98	\$ 4.67
\$6.27 \$6.99	1,265	7.7	6.35	453	6.41
\$7.00 \$7.99	909	6.8	7.08	531	7.09
\$8.00 \$8.75	770	5.4	8.03	714	8.03

3,100

1,796

See Note 1 for pro forma disclosure of net income (loss) and earnings (loss) per share under SFAS No. 123.

Employee Stock Purchase Plan

In January 2000, U.S. Concrete's board of directors adopted, and its stockholders approved, the U.S. Concrete 2000 Employee Stock Purchase Plan (the ESPP). The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986. All U.S. Concrete personnel that are employed for at least 20 hours per week and five months per calendar year are eligible to participate in the ESPP. Under the ESPP, employees electing to participate are granted the right to purchase shares of U.S. Concrete common stock at a price generally equal to 85% of the lower of the fair market value of a share of U.S. Concrete common stock on the first or last day of the offering period. U.S. Concrete issued 264,768 shares in 2003, 246,268 shares in 2002 and 226,567 shares in 2001.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. INCOME TAXES**

U.S. Concrete's consolidated federal and state tax returns include the results of operations of acquired businesses from their dates of acquisition.

The amounts of consolidated federal and state income tax provisions are as follows (in thousands):

	Year Ended December 31		
	2003	2002	2001
Current:			
Federal	\$ (2,337)	\$ 3,478	\$ 2,346
State	(834)	1,362	431
	<u>(3,171)</u>	<u>4,840</u>	<u>2,777</u>
Deferred:			
Federal	\$ 7,209	\$ (3,487)	\$ 4,532
State	1,236	(745)	349
	<u>8,445</u>	<u>(4,232)</u>	<u>4,881</u>
Total provision	<u>\$ 5,274</u>	<u>\$ 608</u>	<u>\$ 7,658</u>

A reconciliation of U.S. Concrete's effective income tax rate to the amounts calculated by applying the federal statutory corporate tax rate of 35% is as follows (in thousands):

	Year Ended December 31		
	2003	2002	2001
Tax at statutory rate	\$ 5,452	\$ (1,201)	\$ 6,021
Add (deduct):			
State income taxes	262	401	507

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Nondeductible expenses	260	1,421	1,068
Nontaxable items	(700)		
Other		(13)	62
	<u> </u>	<u> </u>	<u> </u>
Income tax provision	\$ 5,274	\$ 608	\$ 7,658
	<u> </u>	<u> </u>	<u> </u>
Effective income tax rate	33.9%	17.7%	44.5%
	<u> </u>	<u> </u>	<u> </u>

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Deferred income tax provisions result from temporary differences in the recognition of expenses for financial reporting purposes and for tax reporting purposes. U.S. Concrete presents the effects of those differences as deferred income tax liabilities and assets, as follows (in thousands):

	December 31	
	2003	2002
Deferred income tax liabilities:		
Property, plant and equipment, net	\$ 19,499	\$ 15,569
Goodwill		
Other	50	122
Total deferred income tax liabilities	19,549	15,691
Deferred income tax assets:		
Goodwill	11,886	14,937
Allowance for doubtful accounts	780	674
Inventory	390	935
Accrued expenses	304	2,579
Net operating loss carryforwards	652	65
Other	274	233
Total deferred income tax assets	14,286	19,423
Net deferred income tax (assets) liabilities	\$ 5,263	\$ (3,732)

12. RELATED-PARTY TRANSACTIONS

U.S. Concrete enters into transactions in the normal course of business with related parties. These transactions consist principally of operating leases under which U.S. Concrete leases facilities from former owners of its acquired businesses or their affiliates.

U.S. Concrete's related party leases are for periods generally ranging from three to 20 years. Aggregate lease payments under these leases were approximately \$1.9 million in 2003, \$2.8 million in 2002 and \$2.8 million in 2001. The schedule of minimum lease payments in Note 14 includes U.S. Concrete's future commitments under these leases.

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On completion of its IPO, U.S. Concrete entered into new facilities leases, or extended existing leases, with former stockholders or affiliates of former stockholders of Central Concrete Supply Co., Inc. and Eastern Concrete Materials, Inc. (formerly known as Baer Concrete, Incorporated). Those leases generally provide for initial lease terms of 15 to 20 years, with one or more extension options U.S. Concrete may exercise. The following summarizes the current annual rentals U.S. Concrete must pay during the initial lease terms:

<u>Locations:</u>	<u>Number of Facilities</u>	<u>Aggregate Annual Rentals</u>
Central	2	\$ 323,916
Eastern	2	\$ 311,745

Central purchased building materials from a company owned by two trusts of which William T. Albanese, a shareholder and the President of U.S. Concrete's Bay Area Region, and Thomas J. Albanese, a shareholder and the Executive Vice President of Sales of U.S. Concrete's Bay Area Region, are co-trustees. Central's purchases

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

from this company totaled approximately \$210,000 in 2003, \$278,000 in 2002 and \$310,000 in 2001. U.S. Concrete believes the amounts it paid for these building materials were fair and substantially equivalent to amounts it would have paid to an unaffiliated third party. Both trusts sold their interest in this building materials company in early 2002.

Central sold concrete products to a company owned by a cousin of William T. Albanese and Thomas J. Albanese totaling \$9.6 million in 2003, \$14.1 million in 2002 and \$15.8 million in 2001. U.S. Concrete believes the amounts it received for the concrete products were fair and substantially equivalent to amounts it would have received from an unaffiliated third party.

Central paid a company owned by a cousin of William T. Albanese and Thomas J. Albanese \$0.6 million in 2003, \$59,000 in 2002 and \$78,000 in 2001. These payments were for construction related services.

In 2000, U.S. Concrete extended loans of \$175,000 to Eugene P. Martineau, its chief executive officer and one of its directors, and \$125,000 to Michael W. Harlan, its chief financial officer and one of its directors. U.S. Concrete recorded an expense related to these loans in 2001. U.S. Concrete forgave the indebtedness outstanding under these loans in 2002. In 2002, U.S. Concrete extended loans of \$70,595 to Mr. Martineau and \$50,000 to Mr. Harlan. The aggregate amount outstanding under these loans as of December 31, 2003 was \$120,595. These loans do not bear interest.

U.S. Concrete reimbursed Main Street Mezzanine Fund, LLC (or its predecessor), of which Vincent D. Foster, U.S. Concrete's chairman, is a senior managing director, \$57,000, \$396,578 and \$213,000 in 2003, 2002 and 2001, respectively, for expenses primarily related to U.S. Concrete's acquisition program and other business development activities.

In 2001, U.S. Concrete modified its non-compete arrangements with Neil J. Vannucci, one of its directors during 2001 and 2002. U.S. Concrete established these arrangements in the acquisition agreement for Bay Cities Building Materials Co., Inc., of which he is a former stockholder. The modifications further limit Mr. Vannucci's right to compete against U.S. Concrete in exchange for \$400,000 to be paid to Mr. Vannucci or his designee, of which U.S. Concrete paid \$92,000 in 2001 and 2002. No payment was made to Mr. Vannucci in 2003.

In 2001, U.S. Concrete granted incentive compensation to Mr. Foster, the Chairman of its board, in the amount of 5,400 unrestricted shares of its common stock, valued at \$7.19 per share, and \$25,900 in cash in recognition of the overall contribution made by Mr. Foster to U.S. Concrete to various 2001 capital raising initiatives. In February 2002, we paid a bonus to Mr. Foster in the amount of 15,949 shares of our common stock, valued at \$6.27 per share, and \$50,000 in cash.

T. William Porter, a member of U.S. Concrete's board of directors, is the Chairman of Porter & Hedges, L.L.P., a Houston, Texas law firm. In 2001, U.S. Concrete issued 12,000 restricted shares of its common stock, valued at \$7.97 per share, to Mr. Porter for nominal consideration and

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paid to Mr. Porter \$64,000 in connection with his election to its board. Porter & Hedges, L.L.P. performed legal services for U.S. Concrete in 2002 and 2003; however, the amount of fees paid to them was not material.

13. RISK CONCENTRATION

U.S. Concrete grants credit, generally without collateral, to its customers, which include general contractors, municipalities and commercial companies located primarily in California, New Jersey/New York, Michigan,

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Texas and Tennessee. Consequently, it is subject to potential credit risk related to changes in business and economic factors in those states. U.S. Concrete generally has lien rights in the work it performs, and concentrations of credit risk are limited because of the diversity of its customer base. Further, management believes that its contract acceptance, billing and collection policies are adequate to minimize any potential credit risk.

14. COMMITMENTS AND CONTINGENCIES

Litigation and Other Claims

In January 2004, we settled a previously reported lawsuit that Bay-Crete Transportation & Materials, LLC filed in July 2000 in a California state court against us and our subsidiary, Central Concrete Supply Co., Inc., for an alleged breach of a 1983 contract. Under the settlement agreement resolving this dispute, Bay-Crete will perform certain hauling services for Central at market rates. The former owners of one of Central's predecessors provided us with indemnification consideration that offset the settlement payment we made to Bay-Crete. As a result, the settlement did not impact our earnings.

From time to time, and currently, U.S. Concrete is subject to various claims and litigation brought by employees, customers and other third parties for, among other matters, employee grievances, personal injuries, property damages, product defects and delay damages that have, or allegedly have, resulted from the conduct of its operations.

U.S. Concrete believes that the resolution of all litigation currently pending or threatened against it or any of its subsidiaries will not have a material adverse effect on its financial position, results of operations or cash flows; however, because of the inherent uncertainty of litigation, U.S. Concrete can provide no assurance that the resolution of any particular claim or proceeding to which it is a party will not have a material adverse effect on its results of operations for the fiscal period in which that resolution occurs. U.S. Concrete expects in the future it and its operating subsidiaries will from time to time be a party to litigation or administrative proceedings that arise in the normal course of its business.

Lease Payments

U.S. Concrete leases tracts of land, facilities, vehicles equipment it uses in its operations. Gross rental expense under operating leases was \$12.6 million in 2003, \$12.4 million in 2002 and \$11.1 million in 2001.

Minimum lease payments under U.S. Concrete's noncancellable leases as of December 31, 2003 are as follows (in thousands):

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Period	Amount
2004	\$ 11,194
2005	8,666
2006	6,955
2007	4,741
2008	2,713
2009 and thereafter	2,670
Total	\$ 36,939

Table of Contents

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Insurance Programs

U.S. Concrete maintains third-party insurance coverage in amounts and against the risks it believes are reasonable. Under certain components of its insurance program, U.S. Concrete shares the risk of loss with its insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. U.S. Concrete funds these deductibles and records an expense for expected losses under the programs. The expected losses are determined using a combination of U.S. Concrete's historical loss experience and subjective assessments of U.S. Concrete's 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 U.S. Concrete believes that the estimated losses are reasonable, significant differences related to the items noted above could materially affect U.S. Concrete's insurance obligations and future expense.

Performance Bonds

In the normal course of business, U.S. Concrete is contingently liable for performance under \$4.0 million in performance bonds that various states and municipalities have required. The bonds are principally related to construction contracts, reclamation obligations and mining permits. U.S. Concrete has indemnified the underwriting insurance company against any exposure under the performance bonds. In U.S. Concrete's past experience, no material claims have been made against these bonds.

15. SIGNIFICANT CUSTOMERS AND SUPPLIERS

U.S. Concrete did not have any customers who accounted for more than 10% of its revenues in 2003, 2002 or 2001.

U.S. Concrete defines its significant suppliers as those suppliers who accounted for more than 10% of its cost of goods sold in a given period. U.S. Concrete did not have any significant suppliers during 2003 and 2002. One supplier accounted for 11.7% of total purchases (as a percentage of total cost of goods sold) during 2001.

16. EMPLOYEE BENEFIT PLANS

In February 2000, U.S. Concrete established a defined contribution 401(k) profit sharing plan for employees meeting various employment requirements. Eligible employees may contribute amounts up to the lesser of 15% of their annual compensation or the maximum amount IRS regulations permit. U.S. Concrete matches 100% of employee contributions up to a maximum of 5% of their compensation. U.S. Concrete paid matching contributions of \$2.2 million in 2003, \$2.0 million in 2002 and \$1.6 million in 2001.

U.S. Concrete maintained defined contribution profit-sharing and money purchase pension plans for the non-union employees of certain of its companies for the period from their acquisition by U.S. Concrete through the date that those companies adopted the U.S. Concrete 401(k) plan. Contributions made to these plans were \$117,000 in 2003, \$0 in 2002 and \$143,000 in 2001.

Table of Contents**U.S. CONCRETE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

U.S. Concrete's subsidiaries are parties to various collective bargaining agreements with labor unions having multi-year terms that expire on a staggered basis. Under these agreements, U.S. Concrete pays specified wages to covered employees, observes designated workplace rules and makes payments to multi-employer pension plans and employee benefit trusts rather than administering the funds on behalf of these employees.

In connection with its collective bargaining agreements, U.S. Concrete participates with other companies in the unions' multi-employer pension plans. These plans cover substantially all of U.S. Concrete's employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes liabilities on employers who are contributors to a multi-employer plan in the event of the employer's withdrawal from, or on termination of, that plan. In 2001, a subsidiary of U.S. Concrete withdrew from the multi-employer pension plan of the union that represented several of its employees. That union disclaimed interest in representing those employees. U.S. Concrete has no plans to withdraw from any other multi-employer plans. U.S. Concrete made contributions to these plans of \$11.9 million in 2003, \$11.3 million in 2002 and \$10.9 million in 2001.

See Note 10 for discussions of U.S. Concrete's incentive plans and employee stock purchase plan.

17. SELECTED UNAUDITED QUARTERLY FINANCIAL INFORMATION

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
(in thousands, except per share data)				
2003				
Sales	\$ 85,068	\$ 124,610	\$ 140,885	\$ 122,561
Income (loss) from operations	(2,780)	9,907	14,244	8,045
Net income (loss)	(4,040)	3,546	6,244	4,553
Basic and diluted earnings (loss) per share	(0.15)	0.13	0.22	0.16
2002				
Sales	\$ 104,900	\$ 140,187	\$ 144,061	\$ 114,166
Income (loss) from operations (2)	3,033	15,559	15,624	(21,656)
Net income (loss) (1)	(25,017)	6,705	6,707	(16,761)
Basic and diluted earnings (loss) per share	(0.94)	0.25	0.25	(0.62)

- (1) Net income (loss) reflects the transitional goodwill impairment charge for the adoption of SFAS No. 142 of \$24.3 million (\$0.91 per share), net of tax, presented as a cumulative effect of accounting change in the first quarter of 2002. See Note 2.
- (2) Income (loss) from operations reflects restructuring and impairment charges of \$28.4 million (\$18.9 million net of tax) in the fourth quarter of 2002. See Note 5.

18. SUBSEQUENT EVENT

On March 31, 2004, U.S. Concrete issued and sold \$200 million of 8³/₈% senior subordinated notes due April 1, 2014. Interest on these notes is payable semiannually on October 1 and April 1 of each year. U.S. Concrete used the net proceeds of this financing to redeem its previously issued senior subordinated notes and prepay the outstanding debt under its new credit facility. U.S. Concrete paid \$122.5 million to redeem its previously issued senior subordinated notes, including a prepayment premium of \$25.9 million, plus all accrued and unpaid interest through the redemption date of \$1.6 million.

All the subsidiaries of U.S. Concrete, excluding minor subsidiaries, have jointly and severally and fully and unconditionally guaranteed the repayment of the 8³/₈% senior subordinated notes. U.S. Concrete directly or indirectly owns 100% of each subsidiary guarantor. Separate financial statements of the subsidiary guarantors are not provided because U.S. Concrete has no independent assets or operations, the guarantees are full and unconditional and joint and several and the non-guarantor subsidiaries of U.S. Concrete are minor. There are no significant restrictions on the ability of U.S. Concrete or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The indenture governing the notes restricts the ability of U.S. Concrete and its subsidiaries to pay dividends or repurchase common stock, make certain investments, incur additional debt or sell preferred stock, create liens, merge or transfer assets. At any time prior to April 1, 2007, U.S. Concrete may redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 108.375% of the principal amount thereof, plus accrued interest, with the net cash proceeds from certain equity offerings. In addition, after March 31, 2009, U.S. Concrete 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 U.S. Concrete to redeem the notes from the proceeds of certain asset sales that are not reinvested in the business or used to pay senior debt and upon the occurrence of a change of control. U.S. Concrete's senior secured credit agreement prohibits these redemptions.

Table of Contents**PART IV****Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

(a)(1) Financial Statements.

See Index to Consolidated Financial Statements on page 1.

(2) Financial Statement Schedules.

All financial statement schedules are omitted because they are not required or the required information is shown in our Consolidated Financial Statements or the notes thereto.

(3) Exhibits.

Exhibit Number	Description
3.1*	Restated Certificate of Incorporation of U.S. Concrete (Form S-1 (Reg. No. 333-74855), Exhibit 3.1).
3.2*	Amended and Restated Bylaws of U.S. Concrete, as amended (Post Effective Amendment No. 1 to Form S-3 (Reg. No. 333-42860), Exhibit 4.2).
3.3*	Certificate of Designation of Junior Participating Preferred Stock (Form 10-Q for the quarter ended June 30, 2000 (File No. 000-26025), Exhibit 3.3).
4.1*	Form of certificate representing common stock (Form S-1 (Reg. No. 333-74855), Exhibit 4.3).
4.2*	Rights Agreement by and between U.S. Concrete and American Stock Transfer & Trust Company, including form of Rights Certificate attached as Exhibit B thereto (Form S-1 (Reg. No. 333-74855), Exhibit 4.4).
4.3*	Note Purchase Agreement, dated November 10, 2000, the parties to which include U.S. Concrete, Inc. and The Prudential Insurance Company of America, Metropolitan Life Insurance Company, Teachers Insurance & Annuity Association, Connecticut General Life Insurance Company, Allstate Life Insurance Company, Allstate Life Insurance Company of New York and Southern Farm Bureau Life Insurance Company (Form 10-K for the year ended December 31, 2000 (File No. 000-26025), Exhibit 4.4).
4.4*	First Amendment to Exhibit 4.3 (Form 10-K for the year ended December 31, 2001 (File No. 000-26025), Exhibit 4.4).
4.5*	Second Amendment to Exhibit 4.3 (Form 10-Q for the quarter ended March 31, 2003 (File No. 000-26025), Exhibit 4.7).
4.6*	Waiver to Exhibit 4.3 (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 4.9).
4.7*	Third Amendment to Exhibit 4.3 (Form 10-Q for the quarter ended September 30, 2003 (File No. 000-26025), Exhibit 4.10).

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- 4.8** Fourth Amendment to Exhibit 4.3.
- 4.9** Credit Agreement, dated as of March 12, 2004, among U.S. Concrete, the Lenders and Issuers named therein and Citicorp North America, Inc., as administrative agent.
- 10.1* 1999 Incentive Plan of U.S. Concrete (Form S-1 (Reg. No. 333-74855), Exhibit 10.1).

Table of Contents

Exhibit Number	Description
10.2*	2001 Employee Incentive Plan of U.S. Concrete, Inc. (Form S-8 dated May 11, 2001 (Reg. No. 333-60710), Exhibit 4.6).
10.3*	Employment Agreement between U.S. Concrete, Inc. and William T. Albanese (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.1).
10.4*	Employment Agreement between U.S. Concrete, Inc. and Thomas J. Albanese (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.2).
10.5*	Employment Agreement between U.S. Concrete, Inc. and Michael W. Harlan (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.3).
10.6*	Employment Agreement between U.S. Concrete, Inc. and Eugene P. Martineau (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.4).
10.7*	Employment Agreement between U.S. Concrete, Inc. and Michael D. Mitschele (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.6).
10.8*	Employment Agreement between U.S. Concrete, Inc. and Donald C. Wayne (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.7).
10.9*	Employment Agreement between U.S. Concrete, Inc. and Richard A. Williams (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.8).
10.10*	First Amendment to Exhibit 10.6 (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 10.5).
10.11*	Amended and Restated Indemnification Agreements dated August 17, 2000 between U.S. Concrete and each of its directors and officers (Form 10-Q for the quarter ended September 30, 2000 (File No. 000-26025, Exhibit 10.1).
10.12*	Agreement, dated March 15, 2000, between U.S. Concrete, Inc. and Neil J. Vannucci (Form 10-K for the year ended December 31, 2001 (File No. 000-26025), Exhibit 10.16).
10.13*	Flexible Underwritten Equity FaciLity (FUEL [®]) Agreement dated as of January 7, 2002 between Ramius Securities, LLC and U.S. Concrete (Form S-3 (Reg. No. 333-42860), Exhibit 1.2).
10.14*	Amended and restated engagement letter agreement dated as of January 18, 2002 between Credit Lyonnais Securities (USA) Inc. and U.S. Concrete (Form S-3 (Reg. No. 333-42860), Exhibit 1.3).
10.15*	Promissory Note, dated May 24, 2002, issued by Eugene P. Martineau to U.S. Concrete, Inc. (Form 10-K for the year ended December 31, 2002 (File No. 000-26025), Exhibit 10.18).
10.16*	Promissory Note, dated May 24, 2002, issued by Michael Harlan to U.S. Concrete, Inc. (Form 10-K for the year ended December 31, 2002 (File No. 000-26025), Exhibit 10.19).
14**	U.S. Concrete, Inc. Code of Ethics for Chief Executive and Senior Financial Officers.
21**	Subsidiaries.
23***	Consent of independent accountants.
31.1***	Rule 13a-14(a)/15d-14(a) Certification of Eugene P. Martineau.
31.2***	Rule 13a-14(a)/15d-14(a) Certification of Michael W. Harlan.
32.1***	Section 1350 Certification of Eugene P. Martineau.
32.2***	Section 1350 Certification of Michael W. Harlan.

* Incorporated by reference to the filing indicated.

** Previously filed.

*** Filed herewith.

Management contract or compensatory plan or arrangement.

Table of Contents

(b) Reports on Form 8-K.

During the quarter ended December 31, 2003, U.S. Concrete furnished the following Report on Form 8-K to the SEC:

(1) Current report on Form 8-K furnished under Item 12 Results of Operations and Financial Condition, dated November 13, 2003, setting forth U.S. Concrete's earnings release for the fiscal quarter ended September 30, 2003.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 9, 2004

U.S. CONCRETE, INC.

By: /s/ EUGENE P. MARTINEAU
Eugene P. Martineau

President and Chief Executive Officer

Table of Contents**INDEX TO EXHIBITS**

Exhibit Number	Description
3.1*	Restated Certificate of Incorporation of U.S. Concrete (Form S-1 (Reg. No. 333-74855), Exhibit 3.1).
3.2*	Amended and Restated Bylaws of U.S. Concrete, as amended (Post Effective Amendment No. 1 to Form S-3 (Reg. No. 333-42860), Exhibit 4.2).
3.3*	Certificate of Designation of Junior Participating Preferred Stock (Form 10-Q for the quarter ended June 30, 2000 (File No. 000-26025), Exhibit 3.3).
4.1*	Form of certificate representing common stock (Form S-1 (Reg. No. 333-74855), Exhibit 4.3).
4.2*	Rights Agreement by and between U.S. Concrete and American Stock Transfer & Trust Company, including form of Rights Certificate attached as Exhibit B thereto (Form S-1 (Reg. No. 333-74855), Exhibit 4.4).
4.3*	Note Purchase Agreement, dated November 10, 2000, the parties to which include U.S. Concrete, Inc. and The Prudential Insurance Company of America, Metropolitan Life Insurance Company, Teachers Insurance & Annuity Association, Connecticut General Life Insurance Company, Allstate Life Insurance Company, Allstate Life Insurance Company of New York and Southern Farm Bureau Life Insurance Company (Form 10-K for the year ended December 31, 2000 (File No. 000-26025), Exhibit 4.4).
4.4*	First Amendment to Exhibit 4.3 (Form 10-K for the year ended December 31, 2001 (File No. 000-26025), Exhibit 4.4).
4.5*	Second Amendment to Exhibit 4.3 (Form 10-Q for the quarter ended March 31, 2003 (File No. 000-26025), Exhibit 4.7).
4.6*	Waiver to Exhibit 4.3 (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 4.9).
4.7*	Third Amendment to Exhibit 4.3 (Form 10-Q for the quarter ended September 30, 2003 (File No. 000-26025), Exhibit 4.10).
4.8**	Fourth Amendment to Exhibit 4.3.
4.9**	Credit Agreement, dated as of March 12, 2004, among U.S. Concrete, the Lenders and Issuers named therein and Citicorp North America, Inc., as administrative agent.
10.1*	1999 Incentive Plan of U.S. Concrete (Form S-1 (Reg. No. 333-74855), Exhibit 10.1).
10.2*	2001 Employee Incentive Plan of U.S. Concrete, Inc. (Form S-8 dated May 11, 2001 (Reg. No. 333-60710), Exhibit 4.6).
10.3*	Employment Agreement between U.S. Concrete, Inc. and William T. Albanese (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 10.1).
10.4*	Employment Agreement between U.S. Concrete, Inc. and Thomas J. Albanese (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 10.2).
10.5*	Employment Agreement between U.S. Concrete, Inc. and Michael W. Harlan (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 10.3).
10.6*	Employment Agreement between U.S. Concrete, Inc. and Eugene P. Martineau (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 10.4).
10.7*	Employment Agreement between U.S. Concrete, Inc. and Michael D. Mitschle (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 10.6).

Table of Contents

<u>Exhibit Number</u>	<u>Description</u>
10.8*	Employment Agreement between U.S. Concrete, Inc. and Donald C. Wayne (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.7).
10.9*	Employment Agreement between U.S. Concrete, Inc. and Richard A. Williams (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025, Exhibit 10.8).
10.10*	First Amendment to Exhibit 10.6 (Form 10-Q for the quarter ended June 30, 2003 (File No. 000-26025), Exhibit 10.5).
10.11*	Amended and Restated Indemnification Agreements dated August 17, 2000 between U.S. Concrete and each of its directors and officers (Form 10-Q for the quarter ended September 30, 2000 (File No. 000-26025, Exhibit 10.1).
10.12*	Agreement, dated March 15, 2000, between U.S. Concrete, Inc. and Neil J. Vannucci (Form 10-K for the year ended December 31, 2001 (File No. 000-26025), Exhibit 10.16).
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