

US CONCRETE INC
Form 10-Q
November 06, 2015

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2015

o 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: 001-34530
U.S. CONCRETE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

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

331 N. Main Street, Euless, Texas 76039
(Address of principal executive offices, including zip code)
(817) 835-4105
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

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Indicate by check mark whether the registrant has filed all documents required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court. Yes No

There were 14,654,743 shares of common stock, par value \$.001 per share, of the registrant outstanding as of November 4, 2015.

U.S. CONCRETE, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$8,608	\$30,202
Trade accounts receivable, net of allowances of \$6,090 and \$3,726 as of September 30, 2015 and December 31, 2014, respectively	196,147	114,902
Inventories	34,938	31,722
Deferred income taxes	2,858	1,887
Prepaid expenses	5,501	3,965
Other receivables	7,596	6,519
Other current assets	1,623	301
Assets held for sale	—	3,779
Total current assets	257,271	193,277
Property, plant and equipment, net of accumulated depreciation, depletion, and amortization of \$94,738 and \$72,962 as of September 30, 2015 and December 31, 2014, respectively	222,380	176,524
Goodwill	92,385	50,757
Intangible assets, net	89,116	31,720
Other assets	9,050	8,250
Total assets	\$670,202	\$460,528
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$82,307	\$48,705
Accrued liabilities	68,071	50,391
Current maturities of long-term debt	8,883	5,104
Derivative liabilities	65,384	25,246
Liabilities held for sale	—	902
Total current liabilities	224,645	130,348
Long-term debt, net of current maturities	283,184	215,333
Other long-term obligations and deferred credits	31,799	6,940
Deferred income taxes	7,771	6,427
Total liabilities	547,399	359,048
Commitments and contingencies (Note 15)		
Equity:		
Preferred stock	—	—
Common stock	15	15
Additional paid-in capital	183,547	156,745
Accumulated deficit	(41,905)	(42,743)
Treasury stock, at cost	(18,854)	(12,537)
Total stockholders' equity	122,803	101,480
Total liabilities and equity	\$670,202	\$460,528

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

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	\$295,111	\$197,589	\$711,144	\$524,204
Cost of goods sold before depreciation, depletion and amortization	226,620	157,689	558,702	427,538
Selling, general and administrative expenses	23,555	15,404	63,853	43,435
Depreciation, depletion and amortization	12,565	6,010	31,411	16,392
Gain on revaluation of contingent consideration	(723)	—	(1,387)	—
Loss (gain) on sale of assets	43	(3)	5	(306)
Income from operations	33,051	18,489	58,560	37,145
Interest expense, net	(5,446)	(5,080)	(15,966)	(15,145)
Derivative (loss) gain	(26,854)	65	(46,401)	(2,306)
Other income, net	940	580	2,231	1,606
Income (loss) from continuing operations before income taxes	1,691	14,054	(1,576)	21,300
Income tax (benefit) expense	(22)	788	(2,805)	1,540
Income from continuing operations	1,713	13,266	1,229	19,760
Loss from discontinued operations, net of taxes	(94)	(259)	(391)	(45)
Net income	\$1,619	\$13,007	\$838	\$19,715
Basic income per share:				
Income from continuing operations	\$0.12	\$0.98	\$0.09	\$1.46
Loss from discontinued operations, net of taxes	(0.01)	(0.02)	(0.03)	(0.00)
Net income per share – basic	\$0.11	\$0.96	\$0.06	\$1.46
Diluted income per share:				
Income from continuing operations	\$0.11	\$0.96	\$0.08	\$1.42
Loss from discontinued operations, net of taxes	(0.01)	(0.02)	(0.03)	(0.00)
Net income per share – diluted	\$0.10	\$0.94	\$0.05	\$1.42
Weighted average shares outstanding:				
Basic	14,223	13,497	13,946	13,540
Diluted	15,822	13,876	15,251	13,882

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

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Equity
	# of Shares	Par Value				
BALANCE, December 31, 2013	14,036	\$14	\$152,695	\$(63,325)	\$(5,657)	\$83,727
Stock-based compensation expense	—	—	2,647	—	—	2,647
Restricted stock vesting	21	—	—	—	—	—
Restricted stock grants, net of cancellations	169	1	—	—	—	1
Stock options exercised	27	—	379	—	—	379
Warrants exercised	1	—	12	—	—	12
Share repurchase program	(200)	) —	—	—	(4,824)	(4,824)
Other treasury shares purchases	(83)	) —	—	—	(2,034)	(2,034)
Net income	—	—	—	19,715	—	19,715
BALANCE, September 30, 2014	13,971	\$15	\$155,733	\$(43,610)	\$(12,515)	\$99,623
BALANCE, December 31, 2014	13,978	\$15	\$156,745	\$(42,743)	\$(12,537)	\$101,480
Stock-based compensation expense	—	—	4,994	—	—	4,994
Restricted stock vesting	16	—	—	—	—	—
Restricted stock grants, net of cancellations	197	—	—	—	—	—
Stock options exercised	15	—	304	—	—	304
Warrants exercised	140	—	6,416	—	—	6,416
Other treasury share purchases	(145)	) —	—	—	(6,317)	(6,317)
Common stock issuance	442	—	15,088	—	—	15,088
Net income	—	—	—	838	—	838
BALANCE, September 30, 2015	14,643	\$15	\$183,547	\$(41,905)	\$(18,854)	\$122,803

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

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

	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$838	\$19,715
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	31,411	16,392
Debt issuance cost amortization	1,311	1,243
Amortization of discount on long-term incentive plan and other accrued interest	268	305
Net loss on derivative	46,401	2,306
Net gain on revaluation of contingent consideration	(1,387) —
Net loss (gain) on sale of assets	97	(945
Deferred income taxes	(3,814	) 1,187
Provision for doubtful accounts and customer disputes	3,261	929
Stock-based compensation	4,994	2,647
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	(62,662	) (34,440
Inventories	(650	) (109
Prepaid expenses and other current assets	36	(201
Other assets and liabilities	319	(398
Accounts payable and accrued liabilities	36,303	21,912
Net cash provided by operating activities	56,726	30,543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(12,763	) (29,160
Payments for acquisitions, net of cash acquired	(109,338	) (9,498
Proceeds from disposals of property, plant and equipment	663	2,761
Proceeds from disposal of businesses	1,052	—
Net cash used in investing activities	(120,386	) (35,897
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolver borrowings	147,757	213
Repayments of revolver borrowings	(91,507	) (213
Proceeds from exercise of stock options and warrants	457	391
Payments of other long-term obligations	(2,250	) (2,250
Payments for other financing	(6,074	) (3,478
Debt issuance costs	—	(957
Payments for share repurchases	—	(4,824
Other treasury share purchases	(6,317	) (2,034
Net cash provided by (used in) financing activities	42,066	(13,152
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,594	) (18,506
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	30,202	112,667
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$8,608	\$94,161
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$10,098	\$9,767
Cash paid for income taxes	\$992	\$541

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Supplemental Disclosure of Non-cash Investing and Financing Activities:

Capital expenditures funded by capital leases and promissory notes	\$19,867	\$8,176
Acquisitions funded by stock issuance	\$15,088	\$—
Disposition funded through promissory note and deferred payments	\$3,380	\$—

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

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

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of U.S. Concrete, Inc. and its subsidiaries (collectively, "we," "us," "our," "U.S. Concrete," or the "Company") and have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for reporting interim financial information. Some information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") have been condensed or omitted pursuant to the SEC's rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K"). In the opinion of our management, all adjustments necessary to state fairly the information in our unaudited condensed consolidated financial statements and to make such financial statements not misleading have been included. All adjustments are of a normal or recurring nature. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of our results expected for the year ending December 31, 2015, or for any future period.

The preparation of financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions that we consider critical and that involve complex judgments in the preparation of our financial statements include those related to our goodwill and intangible assets, accruals for self-insurance, income taxes, the valuation of long-lived assets, and the valuation of derivative instruments and contingent consideration.

2. RECENT ACCOUNTING PRONOUNCEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

In September 2015, the Financial Accounting Standards Board (the "FASB") issued an amendment on measurement period adjustments related to business combinations. The new guidance requires that the cumulative impact of a measurement period adjustment, including the impact on prior periods, be recognized in the reporting period in which the adjustment is identified. Entities should apply the new guidance prospectively to measurement period adjustments that occur after the effective date. The amendment is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. We early adopted the provisions of this new standard effective with the interim period ending September 30, 2015. Accordingly, we applied the amendment prospectively and it did not result in any material impact on our consolidated financial statements or results of operations.

In April 2015, the FASB issued an amendment related to debt issuance costs. The amendment requires that all costs incurred to issue debt be presented in the balance sheet as a direct reduction from the carrying value of the debt, similar to the presentation of debt discounts. Entities should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. In August 2015, the FASB issued a second amendment related to debt issuance costs clarifying that debt issuance costs related to line-of-credit arrangements could continue to be presented as an asset and be subsequently amortized over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the arrangement. The amendment is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods, with early adoption permitted. We do not expect the adoption of this amendment in fiscal year 2016 to have a material impact on our consolidated financial statements and results of operations.

In May 2014, the FASB issued an amendment related to revenue recognition. The new guidance sets forth a new five step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed under U.S. GAAP. The underlying principle of the new amendment is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it ultimately expects to receive in exchange for the goods or services. The amendment also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. In August 2015, the FASB issued a second amendment related to revenue recognition to delay the effective date of the new revenue recognition guidance by one year. The amendment is effective for annual periods beginning after December 15, 2017 and interim periods within those periods. Early adoption will be permitted for annual periods beginning after December 15, 2016 and interim periods within those periods. We are currently evaluating the impact that this standard will have on our consolidated financial statements and results of operations.

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

In April 2014, the FASB issued an amendment on reporting discontinued operations and disclosures of disposals of components of an entity. Specifically, the amendment revises the definition of a discontinued operation, expands disclosure requirements for transactions that meet the definition of a discontinued operation and requires entities to disclose additional information about individually significant components that are disposed of or held for sale and do not qualify as discontinued operations. Additionally, entities will be required to reclassify assets and liabilities of a discontinued operation for all comparative periods presented in the statement of financial position and to separately present certain information related to the operating and investing cash flows of the discontinued operation, for all comparative periods, in the statement of cash flows. The amendment is effective for annual and interim periods beginning after December 15, 2014 and is to be adopted on a prospective basis for all disposals (except disposals classified as held for sale prior to the adoption date) or components initially classified as held for sale in periods beginning on or after the adoption date. We adopted this guidance effective January 1, 2015, and there was no material impact on our consolidated financial statements or results of operations.

For a description of our significant accounting policies, see Note 1 of the consolidated financial statements in our 2014 Form 10-K.

3. ACQUISITIONS AND DISPOSITIONS

2015 Acquisitions

On February 23, 2015, we acquired the equity of Right Away Redy Mix, Inc. ("Right Away"), in Oakland, California. The purchase price was \$18.0 million in cash, plus closing adjustments of \$0.9 million, final working capital adjustments of \$1.1 million, and potential future earn-out payments of up to \$6.0 million based on the achievement of certain defined annual volume thresholds over a six-year period (the "Right Away Earn-out"). We funded the purchase with cash on hand. The acquisition included four ready-mixed concrete facilities, 49 mixer trucks and a fleet of transfer trucks used to transport cement and aggregates. The acquisition expanded our business in our existing northern California market. The fair value of the assets acquired and liabilities assumed in the Right Away acquisition is preliminary and remains subject to adjustments, including, but not limited to, adjustments related to determination of the fair value of the Right Away Earn-out and identifiable intangible assets.

On April 1, 2015, we acquired the equity of Ferrara Bros. Building Materials Corp. ("Ferrara Bros."), in New York, New York. We acquired the equity of Ferrara Bros. for \$45.0 million in cash, approximately 442,000 shares of our common stock, calculated in accordance with the terms of the share purchase agreement ("SPA"), and valued at approximately \$15.1 million on the date of issuance, plus potential incentive awards in the form of equity of up to \$35.0 million based on the achievement of certain EBITDA thresholds, as defined in the SPA, over a four-year period beginning in 2017 ("Ferrara Bros. Contingent Consideration"). We funded the purchase through a combination of cash on hand and borrowings under our \$175.0 million asset-based revolving credit facility (the "Revolving Facility"). Ferrara Bros. operates six ready-mixed concrete plants at its four facilities in New York and New Jersey and a fleet of 89 mixer trucks. The acquisition expanded our presence in the New York metropolitan market and allows us to more effectively serve construction projects in Manhattan. The fair value of the assets acquired and liabilities assumed in the Ferrara Bros. acquisition is preliminary and remains subject to adjustments, including, but not limited to, adjustments related to working capital, the fair value of the Ferrara Bros. Contingent Consideration, and identifiable intangible assets.

On May 21, 2015, we acquired the equity of Colonial Concrete Co. ("Colonial"), in Newark, New Jersey. The purchase price was \$15.0 million in cash, plus closing adjustments of \$0.2 million. We funded the purchase through a combination of cash on hand and borrowings under our Revolving Facility. The acquisition included four ready-mixed

concrete plants at three locations and a fleet of approximately 40 mixer trucks. The acquisition expanded our business in the New York metropolitan and northern New Jersey markets. The fair value of the assets acquired and liabilities assumed in the Colonial acquisition is preliminary and remains subject to adjustments, including, but not limited to, adjustments related to working capital, certain accrued liabilities, and the fair value of identifiable intangible assets.

On May 29, 2015, we acquired the assets of DuBrook Concrete, Inc. ("DuBrook"), in Chantilly, Virginia, located in the greater Washington, D.C. metropolitan area. The purchase price was \$11.5 million in cash, plus potential future earn-out payments based on volumes sold over a four-year period (the "DuBrook Earn-out"). The DuBrook Earn-out payments are not capped; however, we do not expect total payments to be in excess of \$1.0 million. We funded the purchase through a combination of cash on hand and borrowings under our Revolving Facility. The acquisition included three ready-mixed concrete plants and a fleet of 42 mixer trucks. The purchase of these assets expanded our existing business in the Washington, D.C. metropolitan area. The fair value of the assets acquired and liabilities assumed in the DuBrook acquisition is preliminary and remains subject to adjustments, including, but not limited to, adjustments related to working capital, the fair value of the DuBrook Earn-out, and identifiable intangible assets.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On September 24, 2015, we acquired the Wantage Stone (“Wantage”) reserves, a site development quarry including an 80 acre quarry along with mining rights to an additional 77 acres of land located in Hamburg, NJ, from Bicsak Brothers Realty, LLC and Wantage Stone Reserves, LLC. We have operated the Wantage quarry under a lease agreement since October 2014. The purchase price was \$15.2 million in cash plus deferred payments of \$3.0 million payable over a three-year period. We funded the purchase through a combination of cash on hand and borrowings under our Revolving Facility. This acquisition expanded our aggregates operations in our New York and New Jersey markets. The purchase price allocation for the Wantage acquisition has not been completed yet, including, but not limited to, the fair value of working capital, identifiable intangible assets and property, plant and equipment.

We have made changes to the preliminary purchase price allocations for the 2015 acquisitions during the third quarter of 2015 primarily related to (i) fair value estimates of assets and liabilities assumed for Right Away, Ferrara Bros., Colonial, and DuBrook, (ii) working capital adjustments for Right Away, Ferrara Bros., and DuBrook, (iii) valuation of the Ferrara Bros. Contingent Consideration and identifiable intangible assets, and (iv) valuation of property, plant, and equipment for Ferrara Bros., Colonial, and DuBrook. The following table presents the consideration transferred for Right Away, Ferrara Bros., Colonial, DuBrook, and Wantage and the allocation of these amounts to the net tangible and intangible assets acquired and liabilities assumed based on the estimated fair values as of the respective acquisition date (in thousands).

2015 Acquisitions

	Right Away ⁽¹⁾	Ferrara Bros. ⁽²⁾⁽³⁾	Colonial ⁽²⁾	DuBrook ⁽²⁾	Wantage ⁽⁴⁾
Cash	\$928	\$67	\$888	\$—	\$—
Accounts receivable	1,832	13,154	4,305	1,218	—
Inventory	348	1,434	378	349	—
Other current assets	196	1,534	279	739	—
Property, plant and equipment	9,696	13,422	6,325	2,321	—
Definite-lived intangible assets	7,036	50,560	—	—	—
Total assets acquired	\$20,036	\$80,171	\$12,175	\$4,627	\$—
Current liabilities	1,392	7,004	3,277	910	1,000
Long-term deferred income tax	3,315	—	—	—	—
Other long-term liabilities	3,873	21,100	—	59	1,807
Total liabilities assumed	\$8,580	\$28,104	\$3,277	\$969	\$2,807
Goodwill	8,472	8,021	6,298	7,792	17,996
Consideration transferred	\$19,928	\$60,088	\$15,196	\$11,450	\$15,189

(1) The purchase price allocation for the Right Away acquisition is subject to change pending determination of the fair value of the Right Away Earn-out and identifiable intangible assets. The fair value of the Right Away acquired accounts receivable is \$1.8 million, with a gross contractual amount of \$2.2 million. We do not expect to collect \$0.4 million of the Right Away acquired accounts receivable.

(2) The purchase price allocations for the Ferrara Bros., Colonial, and DuBrook acquisitions are preliminary and remain subject to adjustments, including, but not limited to, adjustments related to working capital, the fair value of the Ferrara Bros. Contingent Consideration and the DuBrook Earn-out, identifiable intangible assets, and certain accrued liabilities. The fair values of the DuBrook and Colonial acquired accounts receivable approximate the gross contractual amounts as of the respective acquisition dates. The fair value of the Ferrara Bros. acquired accounts receivable is \$13.2 million, pending further analysis, with a gross contractual amount of \$14.3 million.

(3) We do not expect to collect \$1.1 million of the Ferrara Bros. acquired accounts receivable, pending further review.

Consideration transferred for Ferrara Bros. includes approximately 442,000 shares of our common stock valued at approximately \$15.1 million on the date of issuance.

- (4) The purchase price allocation for the Wantage acquisition has not been completed yet, including, but not limited to, the fair value of working capital, identifiable intangible assets and property, plant and equipment.

These allocations require the significant use of estimates and are based on information that was available to management at the time these condensed consolidated financial statements were prepared. We utilized recognized valuation techniques, including the income approach, sales approach, and cost approach, to value the net assets acquired. See Note 11 for additional information

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

regarding valuation of contingent consideration. Any changes to the purchase price allocations will be made as soon as practical, but no later than one year from the respective acquisition dates.

On August 27, 2015, we also acquired two sand and gravel operations near Vernon, TX and Waurika, OK. This acquisition is not material and is excluded from the disclosures below and the table above captioned "2015 Acquisitions."

2014 Acquisitions

On October 20, 2014, we acquired the assets of Custom-Crete ("Custom-Crete"), with operations in Dallas/Fort Worth, Houston, San Antonio, and Austin, Texas from Oldcastle Architectural, Inc., a wholly owned subsidiary of CRH plc ("Oldcastle Architectural") for \$37.4 million in cash, less final working capital adjustments of \$1.6 million. The fair value of the assets acquired and liabilities assumed in the Custom-Crete acquisition is preliminary and remains subject to potential adjustments, including, but not limited to, adjustments related to an expected subsequent payment to Oldcastle Architectural for land that is pending the division of certain shared properties.

On December 5, 2014, we acquired the assets of Mobile-Crete of South Texas, LLC and Scofield Construction Services, LLC (collectively, "Mobile-Crete") with operations in San Antonio, Austin, and south Texas for \$21.5 million in cash, plus potential earn-out payments of up to \$3.0 million in cash (the "Mobile-Crete Earn-out"). The earn-out payments of up to \$1.5 million in 2015 and 2016 are tied to the applicable year's average daily closing price of West Texas Intermediate Crude Oil ("WTI") reaching certain predetermined levels. The fair value of the assets acquired and liabilities assumed in the Mobile-Crete acquisition is preliminary and remains subject to adjustments, including, but not limited to, adjustments related to the fair value of identifiable intangible assets.

The Custom-Crete and Mobile-Crete acquisitions included 16 volumetric ready-mixed concrete facilities and 109 volumetric ready-mixed concrete trucks. The addition of these operations expanded our presence into all of the major metropolitan markets in Texas and provided us with the capability to deliver ready-mixed concrete to our customers via on-site batching and mixing to customer specifications.

On October 20, 2014, we acquired the equity of New York Sand and Stone, LLC ("NYSS") for \$15.2 million in cash, less final working capital adjustments of \$0.8 million. The NYSS acquisition included leases to operate two aggregate distribution terminals in New York. These terminals allow us to deliver raw materials more efficiently to our New York and New Jersey markets. The fair value of the assets acquired and liabilities assumed in the NYSS acquisition are final.

During the year ended December 31, 2014, we also completed six other individually immaterial acquisitions comprised of seven ready-mixed concrete plants and related assets in our New York and west Texas markets. The aggregate consideration paid consisted of \$15.5 million in cash and \$1.1 million in promissory notes. The acquisition of these assets expanded our business in our existing markets. The fair values of the assets acquired and liabilities assumed in these six ready-mixed concrete acquisitions are final.

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We have made changes to the preliminary purchase price allocations for the 2014 acquisitions during the first nine months of 2015 primarily related to (i) fair value estimates of assets acquired and liabilities assumed for Mobile-Crete and Custom-Crete, (ii) working capital adjustments for Custom-Crete, Mobile-Crete, and NYSS, (iii) valuation of the Mobile-Crete Earn-out and Mobile-Crete identifiable intangible assets, and (iv) changes in the valuation of identifiable intangible assets for three of the six acquisitions included in "All Other" in the table below. The following table presents the allocation of the consideration paid for the 2014 acquisitions to the net tangible and intangible assets acquired and liabilities assumed based on the estimated fair values as of the respective acquisition dates (in thousands).

	2014 Acquisitions			
	Custom-Crete ⁽¹⁾	NYSS	Mobile-Crete ⁽²⁾	All Other ⁽³⁾
Accounts receivable ⁽⁴⁾	\$3,669	\$5,898	\$2,578	\$—
Inventory	522	1,161	336	295
Other current assets	—	134	—	102
Property, plant and equipment	11,802	1,442	4,156	7,400
Definite-lived intangible assets	9,600	5,042	8,630	4,722
Total assets acquired	\$25,593	\$13,677	\$15,700	\$12,519
Current liabilities	2,598	2,539	2,148	—
Long-term liabilities	473	—	736	—
Total liabilities assumed	\$3,071	\$2,539	\$2,884	\$—
Goodwill	13,277	3,260	8,685	4,050
Consideration paid	\$35,799	\$14,398	\$21,501	\$16,569

(1) The purchase price allocation for the Custom-Crete acquisition is subject to change pending payment for the division of certain shared properties.

The fair value of the assets acquired and the liabilities assumed in the Mobile-Crete acquisition is preliminary and (2) remains subject to adjustments, including, but not limited to, adjustments related to the fair value of identifiable intangible assets.

(3) Consideration paid for acquisitions included in the caption "All Other" above includes \$1.1 million of notes payable to previous owners.

(4) The fair value of the acquired accounts receivable approximates the gross contractual amounts as of the respective acquisition dates.

These allocations require the significant use of estimates and are based on information that was available to management at the time these consolidated financial statements were prepared. We utilized recognized valuation techniques, including the income approach, sales approach, and cost approach, to value the net assets acquired. See Note 11 for additional information regarding valuation of contingent consideration. Any changes to the purchase price allocations will be made as soon as practical, but no later than one year from the respective acquisition dates.

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Acquired Intangible Assets and Goodwill

Acquired intangible assets in 2014 and 2015 consisted of customer relationships, trade names, non-compete agreements, leasehold interests, a favorable contract, and backlog. The amortization period of these intangible assets ranges from one year to 25 years. These intangible assets exclude identifiable intangible assets from the Colonial, DuBrook, and Wantage acquisitions as management has not yet completed valuations of them. The major classes of intangible assets acquired in the 2014 and 2015 acquisitions were as follows (in thousands):

	Weighted Average Amortization Period (In Years)	Fair Value At Acquisition Date
Trade names	23.51	\$37,972
Customer relationships	8.70	25,069
Non-compete agreements	4.92	10,167
Leasehold interests	11.31	7,092
Favorable contract	3.50	3,650
Backlog	1.00	1,640
Total		\$85,590

We recorded \$3.7 million and \$6.3 million of amortization expense related to these intangible assets during the three and nine months ended September 30, 2015, respectively. During the three months ended September 30, 2015, \$1.1 million of amortization expense was recognized that related to previous periods and had not been recorded since the fair value of those intangibles had not yet been determined. As of September 30, 2015, the estimated future aggregate amortization expense of intangible assets from the 2014 and 2015 acquisitions was as follows (in thousands):

	Year Ending December 31,
2015 (remainder of the year)	\$2,520
2016	9,077
2017	8,470
2018	8,073
2019	6,915
Thereafter	43,578
Total	\$78,633

The goodwill ascribed to each of these acquisitions is related to the synergies we expect to achieve with expansion in the markets in which we already operate as well as entry into new metropolitan areas of our existing geographic markets. The goodwill relates to our ready-mixed concrete reportable segment, with the exception of the Wantage and NYSS acquisitions, which relate to our aggregate products reportable segment and our other non-reportable segments, respectively. We expect the goodwill to be deductible for tax purposes, with the exception of the Right Away acquisition. See Note 12 for additional information regarding income taxes.

Actual and Pro Forma Impact of Acquisitions

During the three months ended September 30, 2015, we recorded approximately \$74.0 million of revenue and \$5.4 million of income from operations in our condensed consolidated statements of operations related to the 2014 and 2015 acquisitions following their respective acquisition dates. During the three months ended September 30, 2014, we

recorded approximately \$1.3 million of revenue and \$0.1 million of income from operations in our condensed consolidated statement of operations related to the 2014 acquisitions following their respective acquisition dates.

During the nine months ended September 30, 2015, we recorded approximately \$156.7 million of revenue and approximately \$9.6 million of income from operations in our condensed consolidated statements of operations related to the 2014 and 2015 acquisitions following their respective acquisition dates. During the nine months ended September 30, 2014, we recorded

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approximately \$2.4 million of revenue and \$0.2 million of income from operations in our condensed consolidated statement of operations related to the 2014 acquisitions following their respective acquisition dates.

The unaudited pro forma information presented below reflects the combined financial results for all of the acquisitions completed during 2014 and the first nine months of 2015, excluding three of the six acquisitions that are included in the caption "All Other" in the table captioned "2014 Acquisitions" above, as historical financial results for these operations were not material and impractical to obtain from the former owners. All other acquisitions have been included and represent our estimate of the results of operations for the three and nine months ended September 30, 2015 and 2014 as if the 2014 acquisitions had been completed on January 1, 2013 and the 2015 acquisitions had been completed on January 1, 2014 (in thousands, except per share information):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue from continuing operations	\$295,111	\$261,546	\$741,088	\$684,798
Net income (loss)	\$3,748	\$15,247	\$(2,009)	) \$18,323
Income (loss) per share, basic	\$0.26	\$1.13	\$(0.14)	) \$1.35
Income (loss) per share, diluted	\$0.24	\$1.10	\$(0.14)	) \$1.32

The above pro forma results are unaudited and were prepared based on the historical GAAP results of the Company and the historical results of the 10 acquired companies for which financial information was available, based on data provided by the former owners. These results are not necessarily indicative of what the Company's actual results would have been had the 2014 acquisitions occurred on January 1, 2013 and had the 2015 acquisitions occurred on January 1, 2014.

The unaudited pro forma net income (loss) and net income (loss) per share amounts above reflect the following adjustments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(Decrease) increase in intangible amortization expense	\$(1,549)	) \$2,514	\$183	\$7,542
Decrease in depreciation expense	—	(135)	) (231)	) (423)
Exclusion of buyer transaction costs	(527)	) (480)	) (2,091)	) (542)
Exclusion of seller transaction costs	—	—	(46)) —
Exclusion of pension expense for pension plan not acquired	—	261	212	625
Exclusion of segment results for segment not acquired	—	(201)	) (99)	) (253)
Increase in interest expense	—	269	243	754
Increase (decrease) in income tax expense	(53)	) (1,442)	) 3,185	(2,515)
Net adjustments	\$(2,129)	) \$786	\$1,356	\$5,188

As the purchase price allocations for Colonial, DuBrook, and Wantage are still preliminary and the fair value measurements for the related intangible assets has not been determined, no amortization of these intangible assets was included in the pro forma results. The unaudited pro forma results do not reflect any operational efficiencies or

potential cost savings that may occur as a result of consolidation of the operations.

Sale of Pennsylvania Precast Operations

On June 2, 2015, we sold the fixed assets and inventory and assigned all open contracts associated with our one remaining precast concrete operation in Pennsylvania, to Architectural Precast Innovations, Inc. ("API") for net proceeds of \$0.3 million in cash and a \$1.2 million promissory note, net of a \$0.1 million discount. Note repayments are due quarterly for a term of two years with an effective interest rate of 3.19%. This sale represented the final divestiture of the Company's owned assets related to precast concrete operations, which were previously classified as held for sale.

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4. DISCONTINUED OPERATIONS

As disclosed in Note 3 above, in June 2015, we completed the sale of substantially all of our assets associated with our one remaining precast concrete operation in Pennsylvania. We sold the operation's fixed assets and inventory for net proceeds of \$0.3 million in cash and a promissory note of \$1.2 million, net of a \$0.1 million discount, and recorded a pre-tax loss on the transaction of \$0.1 million. The pre-tax loss is included in discontinued operations in the accompanying condensed consolidated statements of operations for the nine months ended September 30, 2015. We have presented the results of operations for this business for all periods as discontinued operations in the accompanying condensed consolidated statements of operations.

Additionally, in March 2014, we completed the sale of our remaining owned assets related to our California precast operations disposed of in 2012. We sold land and a building for net proceeds of \$1.5 million in cash and recorded a pre-tax gain on the transaction of \$0.6 million. The pre-tax gain is included in discontinued operations in the accompanying condensed consolidated statements of operations for the nine months ended September 30, 2014.

The results of these discontinued operations were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Revenue	\$—	\$2,017	\$5,523	\$6,900	
Operating expenses excluding depreciation, depletion and amortization	96	2,294	5,825	7,396	
Loss from discontinued operations	(96	) (277	) (302	) (496)
Loss (gain) on sale of assets	—	1	92	(639)
(Loss) income from discontinued operations, before income taxes	(96	) (278	) (394	) 143	
Income tax (benefit) expense	(2	) (19	) (3	) 188	
Loss from discontinued operations, net of taxes	\$(94	) \$(259	) \$(391	) \$(45)

Cash flows provided by operating activities included operating cash flows used in discontinued operations of \$0.2 million during the nine months ended September 30, 2015. Cash flows used in investing activities included investing cash flows provided by discontinued operations of \$0.2 million during the nine months ended September 30, 2015. During the nine months ended September 30, 2014, cash flows provided by operating activities included operating cash flows used in discontinued operations of \$1.5 million. During the nine months ended September 30, 2014, cash flows used in investing activities included investing cash flows provided by discontinued operations of \$1.5 million.

5. INVENTORIES

Inventories consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Raw materials	\$32,078	\$29,263
Building materials for resale	1,908	1,479
Other	952	980
Total inventories	\$34,938	\$31,722

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6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The changes in goodwill by reportable segment from January 1, 2015 to September 30, 2015 were as follows (in thousands):

	September 30, 2015			Total
	Ready-Mixed Concrete Segment	Aggregate Products Segment	Other Non-Reportable Segments	
Balance at January 1, 2015	\$47,757	\$—	\$ 3,000	\$50,757
2015 acquisitions (See Note 3)	30,583	20,856	—	51,439
All other purchase price allocation adjustments (See Note 3)	(10,071)	) —	260	(9,811)
Balance at September 30, 2015	\$68,269	\$20,856	\$ 3,260	\$92,385

Intangible Assets

Our purchased intangible assets were as follows (in thousands):

	September 30, 2015			Weighted Average Remaining Life (In Years)
	Gross	Accumulated Amortization	Net	
Trade names	\$39,272	\$(1,408)	) \$37,864	22.69
Customer relationships	38,569	(6,261)	) 32,308	7.80
Non-compete agreements	10,167	(1,693)	) 8,474	4.12
Leasehold interests	7,092	(484)	) 6,608	10.70
Favorable contract	3,650	(608)	) 3,042	2.92
Backlog	1,640	(820)	) 820	0.50
Total purchased intangible assets	\$100,390	\$(11,274)	) \$89,116	13.75

	December 31, 2014			Weighted Average Remaining Life (In Years)
	Gross	Accumulated Amortization	Net	
Customer relationships	\$23,540	\$(3,214)	) \$20,326	8.06
Non-compete agreements	4,421	(218)	) 4,203	4.58
Trade names	4,200	(330)	) 3,870	9.31
Leasehold interests	3,382	(61)	) 3,321	9.63
Total purchased intangible assets	\$35,543	\$(3,823)	) \$31,720	7.91

We recorded \$4.1 million and \$7.5 million of amortization expense on our purchased intangible assets for the three and nine months ended September 30, 2015, respectively, which is included in the accompanying condensed consolidated statements of operations. We recorded \$0.5 million and \$1.2 million of amortization expense on our

purchased intangible assets for the three and nine months ended September 30, 2014, respectively, which is included in the accompanying condensed consolidated statements of operations.

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As of September 30, 2015, the estimated remaining amortization of our finite-lived intangible assets was as follows (in thousands):

	Year Ending December 31,
2015 (remainder of the year)	\$2,890
2016	10,557
2017	9,950
2018	9,553
2019	8,395
Thereafter	47,771
Total	\$89,116

7. ACCRUED LIABILITIES

Our accrued liabilities were as follows (in thousands):

	September 30, 2015	December 31, 2014
Accrued materials	\$19,791	\$14,319
Accrued insurance reserves	12,775	10,512
Accrued compensation and benefits	12,972	11,251
Accrued property, sales and other taxes	7,055	5,235
Contingent consideration, current portion	2,715	2,250
Deferred rent	1,880	2,126
Accrued interest	5,801	1,487
Other	5,082	3,211
Total accrued liabilities	\$68,071	\$50,391

8. DEBT

A summary of our debt and capital leases is as follows (in thousands):

	September 30, 2015	December 31, 2014
Senior secured notes due 2018	\$200,000	\$200,000
Senior secured credit facility expiring 2018	56,250	—
Convertible notes due 2015	—	117
Capital leases	14,678	7,395
Other financing	21,139	12,925
Total debt	292,067	220,437
Less: current maturities	8,883	5,104
Long-term debt, net of current maturities	\$283,184	\$215,333

Senior Secured Notes due 2018

On November 22, 2013, we completed an offering of \$200.0 million aggregate principal amount of 8.5% senior secured notes due 2018 (the "2018 Notes"). We used a portion of the net proceeds from the 2018 Notes to repay all of our outstanding borrowings under the Revolving Facility (as defined below) and to redeem all \$61.1 million of our outstanding 9.5% senior secured notes due 2015 that were issued in 2013 (the "2013 Notes").

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The 2018 Notes are governed by an indenture (the “Indenture”) dated as of November 22, 2013, by and among us and U.S. Bank National Association, as trustee and noteholder collateral agent (the “Notes Collateral Agent”). We are obligated to pay interest on the 2018 Notes on June 1 and December 1 of each year, which commenced on June 1, 2014. The 2018 Notes mature on December 1, 2018, and are redeemable at our option prior to maturity at prices specified in the Indenture. The Indenture contains negative covenants that restrict the ability of us and our restricted subsidiaries to engage in certain transactions, as described below, and also contains customary events of default.

The Indenture contains certain covenants that restrict or limit our ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- pay dividends or make other distributions or repurchase or redeem our stock or subordinated indebtedness or make investments;
- prepay, redeem or repurchase certain debt;
- sell assets or issue capital stock of our restricted subsidiaries;
- incur liens;
- enter into agreements restricting our restricted subsidiaries’ ability to pay dividends, make loans to other U.S. Concrete entities or restrict the ability to provide liens;
- enter into transactions with affiliates;
- consolidate, merge or sell all or substantially all of our assets;
- engage in certain sale/leaseback transactions; and
- designate our subsidiaries as unrestricted subsidiaries.

As defined in the Indenture, we are entitled to incur indebtedness if, on the date of such incurrence and given effect thereto on a pro forma basis, the consolidated coverage ratio exceeds 2.0 to 1.0.

Our obligations under the 2018 Notes are jointly and severally and fully and unconditionally guaranteed on a senior secured basis by each of our existing and future domestic subsidiaries that guarantee the indebtedness under the Revolving Facility. Each guarantee is subject to release in the following customary circumstances:

- a disposition of all or substantially all of the assets of the guarantor subsidiary, by way of merger, consolidation or otherwise; provided the proceeds of the disposition are applied in accordance with the Indenture;
- a disposition of the capital stock of the guarantor subsidiary to a third person, if the disposition complies with the Indenture and as a result the guarantor subsidiary ceases to be a restricted subsidiary;
- the designation by us of the guarantor subsidiary as an unrestricted subsidiary or the guarantor subsidiary otherwise ceases to be a restricted subsidiary, in each case in accordance with the Indenture; or
- legal or covenant defeasance of the 2018 Notes and discharge of our obligations under the Indenture.

The 2018 Notes are issued by U.S. Concrete, Inc., the parent company, and are guaranteed on a full and unconditional basis by each of its direct and indirect wholly owned subsidiaries. There are no non-guarantor subsidiaries. U.S. Concrete, Inc. does not have any independent assets or operations. There are no significant restrictions on the ability of the Company or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The 2018 Notes and the guarantees thereof rank equally in right of payment with all of our existing and future senior indebtedness. The 2018 Notes and the guarantees thereof are secured by first-priority liens on certain of the property and assets directly owned by us, including material owned real property, fixtures, intellectual property, capital stock of

subsidiaries and certain equipment, subject to permitted liens and certain exceptions, and by a second-priority lien on the assets securing the Revolving Facility on a first-priority basis, including inventory (including as-extracted collateral), accounts, certain specified mixer trucks, chattel paper,

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general intangibles (other than collateral securing the 2018 Notes on a first-priority basis), instruments, documents, cash, deposit accounts, securities accounts, commodities accounts, letter of credit rights and all supporting obligations and related books and records and all proceeds and products of the foregoing, subject to permitted liens and certain exceptions. The 2018 Notes and the guarantees thereof are effectively subordinated to all indebtedness and other obligations, including trade payables, of each of our future subsidiaries that are not guarantors.

Senior Secured Credit Facility expiring 2018

On October 29, 2013, we entered into a First Amended and Restated Loan and Security Agreement, as subsequently amended, (the "2013 Loan Agreement") with certain financial institutions named therein, as lenders (the "Lenders"), and Bank of America, N.A., as agent and sole lead arranger (the "Administrative Agent"), which amended and restated our existing credit agreement and provides us with the Revolving Facility. Under the terms of the 2013 Loan Agreement, the maximum credit availability under our Revolving Facility is \$175.0 million, subject to a borrowing base calculation as described below. The 2013 Loan Agreement expires on October 2, 2018. As of September 30, 2015, we had \$56.3 million in outstanding borrowings and \$11.3 million of undrawn standby letters of credit under the 2013 Loan Agreement. The weighted average interest rate for the 2013 Loan Agreement was 2.15% as of September 30, 2015.

Our maximum credit availability under the 2013 Loan Agreement varies from time to time and is determined by calculating a borrowing base, which is based on the value of our eligible accounts receivable, inventory and vehicles, which serve as priority collateral on the Revolving Facility, minus reserves imposed by the Lenders and other adjustments, all as specified in the 2013 Loan Agreement and discussed further below. Our unused availability under the 2013 Loan Agreement at September 30, 2015 decreased to \$103.5 million from \$109.8 million at December 31, 2014. The 2013 Loan Agreement also contains a provision for discretionary over-advances and involuntary protective advances by the Lenders of up to \$12.5 million in excess of borrowing base levels. The 2013 Loan Agreement provides for swingline loans, up to a \$10.0 million sublimit, and letters of credit, up to a \$30.0 million sublimit.

Advances under the Revolving Facility are in the form of either base rate loans or "LIBOR Loans" denominated in U.S. dollars. The interest rate for base rate loans denominated in U.S. dollars fluctuates and is equal to the greater of (a) Bank of America's prime rate; (b) the Federal funds rate, plus 0.50%; or (c) the rate per annum for a 30-day interest period equal to the British Bankers Association LIBOR Rate, as published by Reuters at approximately 11:00 a.m. (London time) two business days prior ("LIBOR"), plus 1.0%; in each case plus the Applicable Margin, as defined in the 2013 Loan Agreement. The interest rate for LIBOR Loans denominated in U.S. dollars is equal to the rate per annum for the applicable interest period equal to LIBOR, plus the Applicable Margin, as defined in the 2013 Loan Agreement. Issued and outstanding letters of credit are subject to a fee equal to the Applicable Margin, as defined in the 2013 Loan Agreement, a fronting fee equal to 0.125% per annum on the stated amount of such letters of credit, and customary charges associated with the issuance and administration of letters of credit. Among other fees, we pay 0.25% or 0.375% per annum (due monthly) on the aggregate unused revolving commitments under the Revolving Facility. The Applicable Margin ranges from 0.25% to 0.75% for base rate loans and from 1.5% to 2.0% for LIBOR Loans, and is determined based on Average Availability for the most recent fiscal quarter, as defined in the 2013 Loan Agreement.

Up to \$30.0 million of the Revolving Facility is available for the issuance of letters of credit, and any such issuance of letters of credit will reduce the amount available for loans under the Revolving Facility. Advances under the Revolving Facility are limited by a borrowing base which is equal to the lesser of the Revolving Facility minus the LC Reserve, the Senior Notes Availability Reserve, and the Tax Reserve, all defined in the 2013 Loan Agreement, or the sum of (a) 90% of the face amount of eligible accounts receivable (reduced to 85% under certain circumstances), plus

(b) the lesser of (i) 55% of the value of eligible inventory or (ii) 85% of the product of (x) the net orderly liquidation value of inventory divided by the value of the inventory and (y) multiplied by the value of eligible inventory, and (c) the lesser of (i) \$40.0 million or (ii) the sum of (A) 85% of the net orderly liquidation value (as determined by the most recent appraisal) of eligible trucks, plus (B) 80% of the cost of newly acquired eligible trucks since the date of the latest appraisal of eligible trucks, minus (C) 85% of the net orderly liquidation value of eligible trucks that have been sold since the latest appraisal date and 85% of the depreciation amount applicable to eligible trucks since the date of the latest appraisal of eligible trucks, minus (D) such reserves as the Administrative Agent may establish from time to time in its permitted discretion. The Administrative Agent may, in its permitted discretion, reduce the advance rates set forth above, adjust reserves or reduce one or more of the other elements used in computing the borrowing base.

The 2013 Loan Agreement contains usual and customary negative covenants for transactions of this type, including, but not limited to, restrictions on our ability to consolidate or merge; substantially change the nature of our business; sell, lease or otherwise transfer any of our assets; create or incur indebtedness; create liens; pay dividends; repurchase stock; and make investments or acquisitions. The negative covenants are subject to certain exceptions as specified in the 2013 Loan Agreement. The 2013 Loan Agreement also requires that we, upon the occurrence of certain events, maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for each period of 12 calendar months, as determined in accordance with the 2013 Loan Agreement. For the trailing 12-month

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period ended September 30, 2015, our fixed charge coverage ratio was 3.64 to 1.0. As of September 30, 2015, the Company was in compliance with all covenants under the 2013 Loan Agreement.

The 2013 Loan Agreement also includes customary events of default, including, among other things, payment default, covenant default, breach of representation or warranty, bankruptcy, cross-default, material ERISA events, a change of control of the Company, material money judgments and failure to maintain subsidiary guarantees.

The 2013 Loan Agreement is secured by a first-priority lien on certain assets of the Company and the guarantors, including inventory (including as-extracted collateral), accounts, certain specified mixer trucks, general intangibles (other than collateral securing the 2018 Notes, on a first-priority basis, as described above), instruments, documents, chattel paper, cash, deposit accounts, securities accounts, commodities accounts, letter of credit rights and all supporting obligations and related books and records and all proceeds and products of the foregoing, subject to permitted liens and certain exceptions. The 2013 Loan Agreement is also secured by a second-priority lien on the collateral securing the 2018 Notes on a first-priority basis.

Convertible Notes due 2015

On August 31, 2010, we issued \$55.0 million aggregate principal amount of 9.5% Convertible Notes due on August 31, 2015 (the "Convertible Notes"). During 2013, we exchanged \$48.5 million of Convertible Notes for \$61.1 million aggregate principal amount of 2013 Notes and \$6.4 million of Convertible Notes for 0.6 million shares of common stock. The remaining Convertible Notes matured and were repaid on August 31, 2015.

Capital Leases and Other Financing

From 2013 through the third quarter of 2015, we signed a series of promissory notes with Daimler Truck Financial for the purchase of mixer trucks and other machinery and equipment in an aggregate principal amount of \$24.6 million, with fixed annual interest rates ranging from 2.50% to 3.18%, payable monthly for a term of five years.

From 2013 through the third quarter of 2015, we entered into leasing agreements with various lenders for the purchase of mixer trucks and other machinery and equipment for a total commitment of \$17.6 million, with fixed annual interest rates ranging from 2.60% to 4.80%, payable monthly for terms ranging from four to five years. The lease terms include one dollar buyout options at the end of the lease terms. Accordingly, these financings have been classified as capital leases.

The current portion of capital leases included in current maturities of long-term debt was \$3.5 million as of September 30, 2015 and \$1.6 million as of December 31, 2014.

As of September 30, 2015, we had five promissory notes outstanding that were issued primarily in connection with acquisitions completed between February 2014 and January 2015 in an aggregate principal amount of \$2.9 million. These promissory notes are payable either monthly or annually over less than one year to nine years, with annual effective interest rates ranging from 3.49% to 4.09%.

The weighted average interest rate of our capital leases and other financings was 3.09% and 3.49% as of September 30, 2015 and December 31, 2014, respectively. We made cash principal payments associated with our capital leases and other financings totaling \$2.5 million and \$1.3 million during the three months ended September 30, 2015 and 2014, respectively, and \$6.0 million and \$3.5 million during the nine months ended September 30, 2015 and 2014, respectively.

9. WARRANTS

On August 31, 2010, we issued warrants to acquire common stock (the “Warrants”) in two tranches: Class A Warrants to purchase an aggregate of approximately 1.5 million shares of common stock and Class B Warrants to purchase an aggregate of approximately 1.5 million shares of common stock. The Warrants were issued to holders of our predecessor common stock pro rata based on a holder’s stock ownership. The fair value of these Warrants have been included in derivative liabilities on the accompanying condensed consolidated balance sheets (see Note 10) and are recorded at their fair value (see Note 11). The Warrants are classified as a current liability on the accompanying condensed consolidated balance sheets as they can be exercised by the holders at any time.

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10. DERIVATIVES

We are exposed to certain risks relating to our ongoing business operations. However, derivative instruments are not used to hedge these risks. In accordance with ASC 815 - Derivatives and Hedging ("ASC 815"), we are required to account for derivative instruments as a result of the issuance of the Warrants on August 31, 2010. None of our derivative instruments manage business risk or are executed for speculative purposes.

Our derivative instruments are summarized as follows (in thousands):

Derivative Instruments Not Designated As Hedging Instruments Under ASC 815 Warrants	Balance Sheet Location Derivative liabilities	Fair Value	
		September 30, 2015	December 31, 2014
		\$65,384	\$25,246

The following tables present the effect of derivative instruments on our condensed consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014, respectively, excluding income tax effects (in thousands):

Derivative Instruments Not Designated As Hedging Instruments Under ASC 815 Warrants	Location Of Income/(Loss) Recognized Derivative gain / (loss)	Three Months Ended	
		September 30, 2015	September 30, 2014
		\$(26,854	) \$65

Derivative Instruments Not Designated As Hedging Instruments Under ASC 815 Warrants	Location Of Income/(Loss) Recognized Derivative loss	Nine Months Ended	
		September 30, 2015	September 30, 2014
		\$(46,401	) \$(2,306

Warrant volume positions represent the number of shares of common stock underlying the instruments. The table below presents our volume positions (in thousands) as of September 30, 2015 and December 31, 2014:

Derivative Instruments Not Designated As Hedging Instruments Under ASC 815 Warrants	Number Of Shares	
	September 30, 2015	December 31, 2014
	2,736	2,999

We do not have any derivative instruments with credit features requiring the posting of collateral in the event of a credit downgrade or similar credit event.

11. FAIR VALUE DISCLOSURES

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Accounting guidance also

establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

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Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. We review the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain assets and liabilities within the fair value hierarchy.

The following tables present our fair value hierarchy for liabilities measured at fair value on a recurring basis (in thousands):

	September 30, 2015			
	Total	Level 1	Level 2	Level 3
Derivative – Warrants	\$65,384	\$—	\$65,384	\$—
Contingent consideration, including current portion ^{(1) (2) (3) (4)} ^{(5) (6)}	28,659	—	—	28,659
	\$94,043	\$—	\$65,384	\$28,659
	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Derivative – Warrants	\$25,246	\$—	\$—	\$25,246
Contingent consideration ^{(1) (2)}	5,344	—	—	5,344
	\$30,590	\$—	\$—	\$30,590

The current portion of contingent consideration is included in accrued liabilities in our condensed consolidated (1) balance sheets. The long-term portion of contingent consideration is included in other long-term obligations and deferred credits in our condensed consolidated balance sheets.

Includes the fair value of the Bode Earn-out, as defined below. The fair value was determined based on expected (2) payouts that will be due to the former owners based on the achievement of certain incremental sales volume milestones, using a contractual discount rate of 7.0%. These payments were capped at a fair value of \$3.5 million and \$5.3 million as of September 30, 2015 and December 31, 2014.

Includes the fair value of the Mobile-Crete Earn-out (see Note 3). The fair value was determined based on expected (3) payouts that will be due to the former owners based on probability-weighted assumptions related to average annual WTI prices reaching certain predetermined levels from December 8, 2014 through December 7, 2016. The fair value of the Mobile-Crete Earn-out was \$0.1 million as of September 30, 2015.

Includes the fair value of the Right Away Earn-out (see Note 3). The fair value was determined based on expected (4) payouts that will be due to the former owners based on probability-weighted assumptions related to the achievement of sales volume milestones, using a discount rate of 9.25%. The fair value of the Right Away Earn-out was \$3.9 million as of September 30, 2015.

(5) Includes the fair value of the Ferrara Bros. Contingent Consideration (see Note 3). The fair value was determined based on the expected vesting of incentive awards granted to the former owners at acquisition based on probability-weighted assumptions related to the achievement of certain EBITDA thresholds, using a discount rate of 11.25%. The fair value of the Ferrara Bros. Contingent Consideration was \$21.1 million as of September 30,

2015.

- (6) The fair value of the DuBrook Earn-out (see Note 3) is excluded because it is pending valuation, which will be completed as soon as practical, but no later than one year from the acquisition date.

The liability for the Warrants was valued utilizing a Black-Scholes-Merton model. Inputs into the model were based upon observable market data where possible. The key inputs in determining our derivative liabilities include our stock price, stock price volatility, and risk free interest rates. As of September 30, 2015, observable market data existed for all of the key inputs in determining the fair value of our Warrants.

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Contingent Consideration

In accordance with the terms of the 2012 acquisition of Bode Gravel Co. and Bode Concrete LLC, we are required to make earn-out payments (the "Bode Earn-out"), which are contingent upon reaching negotiated volume hurdles and had an aggregate present value of up to \$7.0 million as of October 30, 2012, the acquisition date. The Bode Earn-out is payable in cash over a six-year period. To date, we have made two Bode Earn-out payments of \$2.3 million in each of the first nine months of 2014 and 2015.

We recorded a liability of \$5.5 million representing the fair value of contingent consideration related to the Right Away and Mobile-Crete acquisitions as of the respective acquisition dates. We recorded a net gain on revaluation of contingent consideration of \$0.9 million and \$1.4 million for the three and nine months ended September 30, 2015, respectively, as a result of the passage of time and changes in the estimate of future WTI prices. During the third quarter of 2015, we recorded a liability of \$21.1 million representing the fair value of contingent consideration related to the Ferrara Bros. acquisition.

The liabilities for the Mobile-Crete Earn-out, the Right Away Earn-out, and the Ferrara Bros. Contingent Consideration were valued using Monte Carlo simulations which incorporated probability-weighted assumptions related to the achievement of specific milestones mentioned above. Inputs into the model were based upon observable market data where possible. Where observable market data did not exist, we modeled inputs based upon similar observable inputs. The key inputs in determining the fair value of the Mobile-Crete Earn-out, the Right Away Earn-out, and the Ferrara Bros. Contingent Consideration included discount rates ranging from 3.50% to 11.25%, a forecasted average of WTI prices from January 1, 2015 through December 31, 2016 from quoted sources, and management's estimates of future sales volumes and EBITDA.

A reconciliation of the changes in Level 3 fair value measurements from December 31, 2014 to September 30, 2015 is provided below (in thousands):

	Warrants	Contingent Consideration
Balance at December 31, 2014	\$25,246	\$5,344
Acquisitions	—	26,566
Total losses (gains) included in earnings ⁽¹⁾	19,551	(1,387)
Payment on Bode Earn-out	—	(1,864)
Write-off of derivative on exercised Warrants ⁽²⁾	(4)	—
Issuances of equity, net of cash proceeds ⁽³⁾	(56)	—
Transfer out ⁽⁴⁾	(44,737)	—
Balance at September 30, 2015	\$—	\$28,659

(1) Represents the loss on revaluation of Warrants, which is included in derivative loss in our condensed consolidated statements of operations and the net gain on revaluation of contingent consideration, which is included in gain on revaluation of contingent consideration in our condensed consolidated statements of operations.

(2) Represents the pro rata portion of the derivative liability associated with exercised Warrants measured at the date of share issuance, which is included in derivative loss in our condensed consolidated statements of operations.

(3) Represents the pro rata portion of the derivative liability associated with exercised Warrants measured at the date of share issuance, which is included in additional paid-in capital in our condensed consolidated balance sheets.

(4) Transfer out of Level 3 financial liabilities was due to changes in the observability of market inputs used in the valuation of our Warrants. The transfer was measured as of June 30, 2015, the end of the period in which the

transfer occurred.

Our other financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. We consider the carrying values of cash and cash equivalents, accounts receivable and accounts payable to be representative of their respective fair values because of their short-term maturities or expected settlement dates. The fair value of our 2018 Notes, estimated based on broker/dealer quoted market prices, was \$209.2 million as of September 30, 2015. The carrying value of outstanding amounts under our 2013 Loan Agreement approximates fair value due to the floating interest rate. Our Convertible Notes were repaid on August 31, 2015 and had no fair value as of September 30, 2015. The fair value of these Convertible Notes was approximately \$0.1 million at December 31, 2014.

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12. INCOME TAXES

In accordance with U.S. GAAP, the recognized value of deferred tax assets must be reduced to the amount that is more likely than not to be realized in future periods. The ultimate realization of the benefit of deferred tax assets from deductible temporary differences or tax carryovers depends on the generation of sufficient taxable income during the periods in which those temporary differences become deductible. We considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on these considerations, we relied upon the reversal of certain deferred tax liabilities to realize a portion of our deferred tax assets and established valuation allowances as of September 30, 2015 and December 31, 2014 for other deferred tax assets because of uncertainty regarding their ultimate realization. Our total net deferred tax liability was approximately \$4.9 million as of September 30, 2015 and \$4.5 million as of December 31, 2014. We made income tax payments of approximately \$0.2 million and \$1.0 million during the three and nine months ended September 30, 2015. We made income tax payments of approximately \$0.2 million and \$0.5 million during the three and nine months ended September 30, 2014.

Despite income in 2014 and projected future taxable income, as of September 30, 2015, we remain in a three year cumulative loss position and will, therefore, continue to record a valuation allowance on all of our U.S. deferred tax assets. The cumulative loss position is considered a significant source of negative evidence and limits our ability to consider other subjective evidence such as our projections for future growth when assessing the need for a deferred tax valuation allowance. Our cumulative loss position will continue to change as a result of historical and current earnings performance. This change, among other factors, may cause us to reduce our valuation allowance on deferred tax assets in the future. Any adjustment to our valuation allowance would impact our income tax expense in the period that our evaluation changes. For the nine months ended September 30, 2015, we recognized additional deferred tax assets as a result of the Right Away acquisition, which allowed us to release approximately \$2.8 million in valuation allowance through our tax provision as a tax benefit.

In accordance with U.S. GAAP, intra-period tax allocation provisions require allocation of a tax expense to continuing operations due to current loss from discontinued operations. We recorded a tax benefit of less than \$0.1 million and \$2.8 million in income from continuing operations for the three and nine months ended September 30, 2015, respectively, and tax expense of \$0.8 million and \$1.5 million in income from continuing operations for the three and nine months ended September 30, 2014, respectively. We recorded a tax benefit of less than \$0.1 million allocated to discontinued operations for both the three and nine months ended September 30, 2015. We recorded a tax benefit of less than \$0.1 million and tax expense of \$0.2 million allocated to discontinued operations for the three and nine months ended September 30, 2014, respectively. The intra-period tax allocation between the results from continuing operations and discontinued operations in the three and nine months ended September 30, 2015 and 2014 nets to \$0.

We underwent a change in ownership for purposes of Section 382 of the Internal Revenue Code of 1986, as amended, as a result of the consummation of our plan of reorganization on August 31, 2010. As a result, the amount of our pre-change net operating losses ("NOLs") and other tax attributes that are available to offset future taxable income are subject to an annual limitation. The annual limitation is based on the value of the corporation as of the effective date of the plan of reorganization. The ownership change and the resulting annual limitation on the use of NOLs are not expected to result in the expiration of our NOL carryforwards if we are able to generate sufficient future taxable income within the carryforward periods. However, the limitation on the amount of NOLs available to offset taxable income in a specific year may result in the payment of income taxes before all NOLs have been utilized. Additionally, a subsequent ownership change may result in further limitations on our ability to utilize existing NOLs and other tax attributes.

13. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

The following table presents information regarding our common stock (in thousands):

	September 30, 2015	December 31, 2014
Shares authorized	100,000	100,000
Shares outstanding at end of period	14,643	13,978
Shares held in treasury	842	697

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Under our amended and restated certificate of incorporation, we are authorized to issue 100.0 million shares of common stock, par value \$0.001 per share, and 10.0 million shares of preferred stock, par value \$0.001 per share. The preferred stock may be issued from time to time in one or more series upon authorization by the Board. The Board, without further approval of the stockholders, is authorized to fix the dividend rights and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, and any other rights, preferences and restrictions applicable to each series of the preferred stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of the common stock and, under certain circumstances, make it more difficult for a third party to gain control of us, discourage bids for our common stock at a premium or otherwise affect the market price of our common stock. There was no preferred stock issued or outstanding as of September 30, 2015 or December 31, 2014.

Common Stock Issuance

During the second quarter of 2015, we issued approximately 442,000 shares of common stock with a total value of \$15.1 million as part of the consideration for the Ferrara Bros. acquisition (see Note 3).

Share Repurchase Program

In May 2014, our Board authorized a program to repurchase up to \$50.0 million of our outstanding common stock (the "Share Repurchase Program") until the earlier of March 31, 2017, or a determination by the Board to discontinue the Share Repurchase Program. We made no repurchases of our common stock during the three and nine months ended September 30, 2015 under the Share Repurchase Program. We made no repurchases of our common stock during the three months ended September 30, 2014. We made a related party share repurchase of our common stock during the nine months ended September 30, 2014 as discussed below.

Related Party Share Repurchase

During the second quarter of 2014, as part of the Share Repurchase Program, we paid \$4.8 million in cash to Whippoorwill Associates, Inc. ("Whippoorwill") pursuant to a privately negotiated agreement to repurchase 200,000 shares of our common stock. We repurchased the shares for \$24.12 per share, which was the closing price of our common stock on the NASDAQ stock market on the trading day prior to the repurchase. As of May 19, 2014, and prior to the transaction, Whippoorwill owned approximately 3.0 million shares, or approximately 21%, of our outstanding common stock and, as such, was a related party. There have been no related party share repurchases during the three and nine months ended September 30, 2015.

Treasury Stock

Employees may elect to satisfy their tax obligations on the vesting of their restricted stock by having the required tax payments withheld based on a number of vested shares having an aggregate value on the date of vesting equal to the tax obligation. As a result of such employee elections, we withheld approximately 83,000 shares with a total value of \$4.2 million during the three months ended September 30, 2015 and approximately 145,000 shares with a total value of \$6.3 million during the nine months ended September 30, 2015. We withheld approximately 51,000 shares with a total value of \$1.3 million during the three months ended September 30, 2014 and approximately 83,000 shares with a total value of \$2.0 million during the nine months ended September 30, 2014. We accounted for the withholding of these shares as treasury stock.

14. NET EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period after giving effect to all potentially dilutive securities outstanding during the period.

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The following is a reconciliation of the components of the basic and diluted earnings per share calculations for the three and nine months ended September 30, 2015 and 2014, in thousands:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Income from continuing operations	\$1,713	\$13,266	\$1,229	\$19,760
Loss from discontinued operations, net of taxes	(94	) (259	) (391	) (45
Numerator for diluted earnings per share	\$1,619	\$13,007	\$838	\$19,715
Denominator:				
Basic weighted average common shares outstanding	14,223	13,497	13,946	13,540
Restricted stock and restricted stock units	150	190	193	222
Warrants	1,434	180	1,098	109
Stock options	15	9	14	11
Denominator for diluted earnings per share	15,822	13,876	15,251	13,882

For the three and nine months ended September 30, 2015 and 2014, our potentially dilutive shares include the shares underlying our restricted stock, restricted stock units, stock options, and Warrants. The following table shows the type and number (in thousands) of potentially dilutive shares excluded from the diluted earnings (loss) per share calculations for the periods presented as their effect would have been anti-dilutive or they have not met their performance target:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Potentially dilutive shares:				