US CONCRETE INC
Form 10-Q
November 09, 2010

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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, 2010
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)
IRS Employer Identification No. 76-0586680
2925 Briarpark, Suite 1050
Houston, Texas 77042
(Address of principal executive offices, including zip code)
(713) 499-6200
(Registrant s telephone number, including area code)

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

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

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

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

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

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 and Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court Yes þ No o

As of the close of business on November 9, 2010, U.S. Concrete, Inc. had 11,928,000 shares of its common stock, $0.001 par value, outstanding.

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
(Unaudited)
(in thousands)

	Successor September 30, 2010	Predecessor December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,620	$ 4,229
Trade accounts receivable, net	83,691	74,851
Inventories	28,816	30,960
Deferred income taxes	19,613	7,847
Prepaid expenses	4,151	3,729
Other current assets	9,337	6,973
Total current assets	150,228	128,589
Property, plant and equipment, net	141,398	239,917
Goodwill		14,063
Other assets	11,014	6,591
Assets held for sale	892	
Total assets	$ 303,532	$ 389,160
LIABILITIES AND EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of long-term debt	$ 587	$ 7,873
Accounts payable	35,273	37,678
Accrued liabilities	43,823	48,557
Derivative liabilities	15,923	
Total current liabilities	95,606	94,108
Long-term debt, net of current maturities	47,110	288,669
Other long-term obligations and deferred credits	7,921	6,916
Deferred income taxes	21,160	9,658
Total liabilities	171,797	399,351
Commitments and contingencies (Note 14)		
Equity (deficit):		
Preferred stock		

Common stock		12		38
Additional paid-in capital		131,571		268,306
Retained earnings (deficit)		152		(280,802)
Treasury stock, at cost				(3,284)
Total stockholders equity (deficit)		131,735		(15,742)
Non-controlling interest (Note 1)				5,551
Total equity (deficit)		131,735		(10,191)
Total liabilities and equity	$	303,532	$	389,160

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

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

	Successor	Predecessor	
	Period from September 1 through September 30, 2010	Period from July 1 through August 31, 2010	Three Months Ended September 30, 2009
Revenue	$ 41,030	$ 88,370	$ 136,343
Cost of goods sold before depreciation, depletion and amortization	34,909	73,755	112,700
Selling, general and administrative expenses	4,591	8,595	14,836
Goodwill and other asset impairments			47,411
Depreciation, depletion and amortization	1,353	4,221	6,770
Loss on sale of assets		38	2,877
Income (loss) from continuing operations	177	1,761	(48,251)
Interest expense, net	913	3,404	6,442
Derivative income	800		
Other income, net	53	143	290
Income (loss) from continuing operations before reorganization items and income taxes	117	(1,500)	(54,403)
Reorganization items (Note 4)		(65,849)	
Income (loss) from continuing operations before income taxes	117	64,349	(54,403)
Income tax expense (benefit)	(35)	1,415	(1,270)
Income (loss) from continuing operations	152	62,934	(53,133)
Loss from discontinued operations, net of taxes and loss attributable to non-controlling interest		(10,213)	(4,927)
Net income (loss) attributable to stockholders	$ 152	$ 52,721	$ (58,060)
Income (loss) per share attributable to stockholders:			
Income (loss) from continuing operations	$ 0.01	$ 1.72	$ (1.46)
Loss from discontinued operations, net of taxes	(0.00)	(0.28)	(0.14)
Net income (loss)	$ 0.01	$ 1.44	$ (1.60)
Basic and diluted weighted average shares outstanding	11,928	36,703	36,272

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

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

	Successor	Predecessor	
	Period from September 1 through September 30, 2010	Period from January 1 through August 31, 2010	Nine Months Ended September 30, 2009
Revenue	$ 41,030	$ 302,748	$ 377,077
Cost of goods sold before depreciation, depletion and amortization	34,909	261,830	315,948
Selling, general and administrative expenses	4,591	39,241	46,115
Goodwill and other asset impairments			47,411
Depreciation, depletion and amortization	1,353	16,862	19,847
Loss on sale of assets		78	2,136
Income (loss) from continuing operations	177	(15,263)	(54,380)
Interest expense, net	913	17,369	19,527
Gain on purchases of senior subordinated notes			7,406
Derivative income	800		
Other income, net	53	534	921
Income (loss) from continuing operations before reorganization items and income taxes	117	(32,098)	(65,580)
Reorganization items (Note 4)		(59,191)	
Income (loss) from continuing operations before income taxes	117	27,093	(65,580)
Income tax expense (benefit)	(35)	1,576	(2,487)
Income (loss) from continuing operations	152	25,517	(63,093)
Loss from discontinued operations, net of taxes and loss attributable to non-controlling interest		(12,672)	(8,415)
Net income (loss) attributable to stockholders	$ 152	$ 12,845	$ (71,508)
Income (loss) per share attributable to stockholders:			
Income (loss) from continuing operations	$ 0.01	$ 0.70	$ (1.75)
Loss from discontinued operations, net of income taxes	(0.00)	(0.35)	(0.23)
Net income (loss)	$ 0.01	$ 0.35	$ (1.98)
Basic and diluted weighted average shares outstanding	11,928	36,699	36,132

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

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

	Common Stock		Additional			Non-	
	Shares	Par Value	Paid-In Capital	Retained Deficit	Treasury Stock	Controlling Interest	Total Equity (Deficit)
BALANCE, December 31, 2008 (Predecessor)	36,793	$ 37	$ 265,453	$ (192,564)	$ (3,130)	$ 10,567	$ 80,363
Stock-based compensation	497	1	1,791				1,792
Employee purchase of ESPP shares	171		288				288
Purchase of treasury shares	(89)				(147)		(147)
Cancellation of shares	(39)						
Capital contribution to Superior Materials Holdings, LLC						1,609	1,609
Net loss				(71,508)		(5,632)	(77,140)
BALANCE, September 30, 2009 (Predecessor)	37,333	$ 38	$ 267,532	$ (264,072)	$ (3,277)	$ 6,544	$ 6,765
BALANCE, December 31, 2009 (Predecessor)	37,558	$ 38	$ 268,306	$ (280,802)	$ (3,284)	$ 5,551	$ (10,191)
Stock-based compensation			1,073				1,073
Purchase of treasury shares	(123)				(70)		(70)
Cancellation of shares	(70)						
Capital contribution to Superior Materials Holdings, LLC						2,481	2,481

Net loss				(55,751)		(8,032)	(63,783)
BALANCE, August 31, 2010 (Predecessor)	37,365	$ 38	$ 269,379	$ (336,553)	$ (3,354)		$ (70,490)
Cancellation of predecessor common stock	(37,365)	(38)	(3,316)		3,354		
Plan of reorganization and fresh start valuation adjustments			1,895	68,595			70,490
Elimination of predecessor accumulated deficit			(267,958)	267,958			
BALANCE, August 31, 2010 (Predecessor)							
Issuance of new common stock in connection with emergence from Chapter 11	11,928	12	$ 131,571				131,583
BALANCE, August 31, 2010 (Successor)	11,928	$ 12	$ 131,571				$ 131,583
Net income				152			152
BALANCE, September 30, 2010 (Successor)	11,928	$ 12	$ 131,571	$ 152	$	$	$ 131,735

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

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

	Successor	Predecessor	
	Period from September 1 through September 30, 2010	Period from January 1 through August 31, 2010	Nine months ended September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 152	$ 4,811	$ (77,140)
Adjustments to reconcile net loss to net cash used in operating activities:			
Goodwill and other asset impairments		18,200	54,560
Reorganization items		(57,686)	
Depreciation, depletion and amortization	1,353	18,403	22,551
Debt issuance cost amortization	384	7,756	1,356
Gain on purchases of senior subordinated notes			(7,406)
Derivative income	(800)		
Net loss on sale of assets		78	2,029
Deferred income taxes	747	(966)	(1,453)
Provision for doubtful accounts	106	1,200	2,925
Stock-based compensation		1,073	1,792
Changes in assets and liabilities, excluding effects of acquisitions:			
Accounts receivable	2,173	(26,119)	4,076
Inventories	(231)	(2,310)	2,481
Prepaid expenses and other current assets	(860)	(3,158)	6,544
Other assets and liabilities	8	249	3
Accounts payable and accrued liabilities	(8,688)	12,423	(366)
Net cash provided by (used in) operating activities	(5,656)	(26,046)	11,952
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(450)	(4,475)	(12,491)
Proceeds from disposals of property, plant and equipment	10	252	9,122
Payments for acquisitions/redemption	(640)		(5,214)
Net cash used in investing activities	(1,080)	(4,223)	(8,583)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Convertible Notes		55,000	

Proceeds from New Credit Agreement	13,198	2,063	
Repayments on New Credit Agreement	(8,191)	(2,063)	
Proceeds from prepetition borrowings		51,172	138,859
Repayments of prepetition borrowings		(67,872)	(132,354)
Proceeds from debtor-in-possession facility		161,182	
Repayments from debtor-in-possession facility		(161,182)	
Net proceeds from (repayments on) other borrowings	(104)	1,251	
Financing costs		(9,469)	
Purchases of senior subordinated notes			(4,810)
Purchase of treasury shares		(70)	(147)
Proceeds from issuances of common stock under compensation plans			288
Non-controlling interest capital contributions		2,481	
Net cash provided by financing activities	4,903	32,493	1,836
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,833)	2,224	5,205
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,453	4,229	5,323
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,620	$ 6,453	$ 10,528

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

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

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of U.S. Concrete, Inc. and its subsidiaries and have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Some information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the SEC s rules and regulations. In the opinion of our management, all adjustments necessary to state fairly the information in our unaudited condensed consolidated financial statements have been included. Operating results for the periods presented are not necessarily indicative of our results expected for the year ending December 31, 2010.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our annual report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K). However, we applied the accounting under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 852 (ASC 852), Reorganizations, as of August 31, 2010 (see Note 3). Therefore, our condensed consolidated balance sheet as of September 30, 2010, which is referred to as that of the Successor company, includes adjustments resulting from the reorganization and application of ASC 852 and is not comparable to our balance sheet as of December 31, 2009, which is referred to as that of the Predecessor company. References to the Successor company in the unaudited condensed consolidated financial statements and the notes thereto refer to the Company after giving effect to the reorganization and application of ASC 852. References to the Predecessor company refer to the Company prior to the reorganization and application of ASC 852.

In August 2010, we entered into a redemption agreement to redeem our 60% interest in our Michigan subsidiary, Superior Materials Holdings, LLC (Superior). This redemption was finalized and closed on September 30, 2010 and is discussed in Note 6. The results of operations of Superior, net of the minority owner s 40% interest, have been included in discontinued operations in our condensed consolidated statements of operations for all periods presented. We reflect the minority owner s 40% interest in income, net assets and cash flows of Superior as a non-controlling interest in our condensed consolidated financial statements.

The preparation of financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States (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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions that we consider significant in the preparation of our financial statements include those related to our allowance for doubtful accounts, goodwill, accruals for self-insurance, income taxes, reserves for inventory obsolescence and the valuation and useful lives of property, plant and equipment.

2. EMERGENCE FROM CHAPTER 11

Developments Leading to Chapter 11

Since the middle of 2006, the United States building materials construction market has become increasingly challenging. Currently, the construction industry, particularly the ready-mixed concrete industry, is characterized by significant overcapacity, fierce competitive activity and declining sales volumes. From 2007 through 2010, we have implemented a variety of cost reduction initiatives, including workforce reductions, suspension of employee benefits, temporary plant idling, rolling stock dispositions and divestitures of nonperforming business units to reduce our operating and fixed costs.

Despite these initiatives, our business and financial performance were severely affected by the overall downturn in construction activity, particularly the steep decline in single-family home starts in the U.S. residential construction markets, the turmoil in the global credit markets and the U.S. economic downturn. These conditions have had a significant impact on demand for our products since the middle of 2006 and continuing into the third quarter of 2010. We have also experienced pricing pressure and our ready-mixed concrete pricing has declined in 2010 compared to 2009 in most of our markets, which has negatively impacted our gross margins.

The continued weakening economic conditions, including ongoing softness in residential construction, further reduction in demand in the commercial sector and delays in anticipated public works projects in many of our markets, combined to cause a significant reduction in our liquidity. We retained legal and financial advisors to assist us in reviewing the strategic and financing alternatives available to us. We also engaged in discussions with the holders of our previously outstanding 8.375% Senior Subordinated Notes due 2014 (the Old Notes) regarding a permanent restructuring of our capital structure.

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

We reached an agreement with a substantial majority of the holders of our Old Notes on the terms of a comprehensive debt restructuring plan prior to filing for Chapter 11. To implement the restructuring, on April 29, 2010 (the Petition Date), we and certain of our subsidiaries (collectively, the Debtors) filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court) seeking relief under the provisions of Chapter 11 of Title 11 of the United States Code (the Bankruptcy Code). The Bankruptcy Court ordered joint administration of the Chapter 11 Cases under the lead case*: In re U.S. Concrete, Inc.*, Case No. 10-11407 (the Chapter 11 Cases). The restructuring did not involve Superior s operations.

Emergence from Chapter 11

On July 29, 2010, the Bankruptcy Court entered an order confirming the Debtors Joint Plan of Reorganization, pursuant to Chapter 11 of the Bankruptcy Code. The Plan of Reorganization was originally filed with the Bankruptcy Court on the Petition Date and supplemented by the Supplement to Debtors Joint Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code filed with the Bankruptcy Court on July 19, 2010 and July 22, 2010, and amended on July 27, 2010 (as so amended and supplemented, the Plan). On August 31, 2010 (the Effective Date), the Debtors consummated their reorganization under the Bankruptcy Code and the Plan became effective.

The consummation, on the Effective Date, of our reorganization under the Plan provided for the following:

- All outstanding obligations under our Old Notes were cancelled and the indenture governing the Old Notes was terminated;

- All amounts outstanding under the Revolving Credit, Term Loan and Guarantee Agreement (the DIP Credit Agreement) were paid and such agreement was terminated in accordance with its terms;

- All of our then existing equity securities, including our common stock (the Old Common Stock), all options to purchase the Old Common Stock and all rights to purchase the Company s Series A Junior Participating Preferred Stock pursuant to a Rights Agreement, dated as of November 5, 2009, were cancelled. Accordingly, certain of our equity incentive plans in place prior to the Effective Date, and all awards granted under such plans, were terminated. The following equity incentive plans were terminated: (i) 1999 Incentive Plan of U.S. Concrete, Inc; (ii) U.S. Concrete, Inc. 2000 Employee Stock Purchase Plan; (iii) 2001 Employee Incentive Plan of U.S. Concrete, Inc.; and (iv) U.S. Concrete, Inc. 2008 Incentive Plan;

- Issuance of (i) approximately 11.9 million shares of Common Stock to holders of the Old Notes, (ii) approximately 1.5 million Class A Warrants to holders of Old Common Stock and (iii) approximately 1.5 million Class B Warrants to holders of Old Common Stock. See Note 12 for more information on the Class A and Class B Warrants;

- Adoption of a management equity incentive plan (the Incentive Plan), under which 9.5% of the equity of the reorganized Company authorized pursuant to the Plan, on a fully-diluted basis, is reserved for issuance as equity-based awards to management and employees, and 0.5% of such equity, on a fully-diluted basis, is reserved for issuance to directors of the reorganized Company;

- Entry into a new credit agreement, dated as of August 31, 2010 (the New Credit Agreement), which provides for a $75.0 million asset-based revolving credit facility. See Note 8 for more information on the New Credit Agreement; and

- Issuance of $55.0 million aggregate principal amount of 9.5% Convertible Secured Notes due 2015 (the Convertible Notes) pursuant to a subscription offering. See Note 8 for more information on the Convertible Notes.

Our Old Common Stock ceased trading on the NASDAQ Global Market on May 10, 2010 and was traded in the over-the-counter market until the Effective Date. Upon the Effective Date of the Plan, the Old Common Stock was cancelled and holders of the Old Common Stock received Class A and Class B Warrants. The common stock issued to holders of the Old Notes on the Effective Date began trading on the over-the-counter Bulletin Board (the OTC Bulletin Board or OTC BB) on October 15, 2010 under the symbol USCR.

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

3. FRESH START ACCOUNTING AND EFFECTS OF THE PLAN

As required by U.S. GAAP, effective as of August 31, 2010, we adopted fresh start accounting following the guidance of FASB ASC 852. Fresh start accounting results in the Company becoming a new entity for financial reporting purposes. Accordingly, our consolidated financial statements for periods prior to August 31, 2010 are not comparable to consolidated financial statements presented on or after August 31, 2010. Fresh start accounting was required upon emergence from Chapter 11 because holders of voting shares immediately before confirmation of the Plan received less than 50% of the emerging entity and the reorganization value of our assets immediately before confirmation of our Plan was less than our post-petition liabilities and allowed claims. Fresh start accounting results in a new basis of accounting and reflects the allocation of our estimated fair value to underlying assets and liabilities. Our estimates of fair value are inherently subject to significant uncertainties and contingencies beyond our reasonable control. Accordingly, there can be no assurance that the estimates, assumptions, valuations, appraisals and financial projections will be realized, and actual results could vary materially. Moreover, the market value of our common stock may differ materially from the equity valuation for accounting purposes. In addition, the cancellation of debt income and the allocation of the attribute reduction for tax purposes is an estimate and will not be finalized until the 2010 tax return is filed. Any change resulting from this estimate could impact deferred taxes.

Under ASC 852, the Successor Company must determine a value to be assigned to the equity of the emerging company as of the date of adoption of fresh-start accounting, which for us is August 31, 2010, the date the Debtors emerged from Chapter 11. To facilitate this calculation we first determined the enterprise value of the Successor Company. The valuation methods included (i) a discounted cash flow analysis, considering a range of the weighted average cost of capital between 14.5% and 15.5% and multiples of projected earnings of between 6.5 and 7.5 times for its terminal value, (ii) a market multiples analysis, considering multiple ranges of between 12.6 and 13.6 times based on a one year forward multiple and 10.5 and 11.5 times based on a two year forward multiple (iii) precedent transaction multiples of between 7 and 8 times. This analysis resulted in an estimated enterprise value of between $180.0 million and $208.0 million. We utilized an enterprise value for fresh start accounting near the mid-point of this range.

The estimated enterprise value and the equity value are highly dependent on the achievement of the future financial results contemplated in the projections that were set forth in the Plan. The estimates and assumptions made in the valuation are inherently subject to significant uncertainties. The primary assumptions for which there is a reasonable possibility of the occurrence of a variation that would have significantly affected the reorganization value include the assumptions regarding revenue growth, operating expenses, the amount and timing of capital expenditures and the discount rate utilized.

Fresh-start accounting reflects the value of the Successor Company as determined in the confirmed Plan. Under fresh-start accounting, our asset values are remeasured and allocated based on their respective fair values in conformity with the purchase method of accounting for business combinations in FASB ASC Topic 805, Business Combinations (FASB ASC 805). Liabilities existing as of the Effective Date, other than deferred taxes and derivatives, were recorded at the present value of amounts expected to be paid using appropriate risk adjusted interest rates. Deferred taxes and derivatives were determined in conformity with applicable accounting standards. Predecessor accumulated depreciation, accumulated amortization and retained deficit were eliminated.

The following fresh start condensed consolidated balance sheet presents the implementation of the Plan and the adoption of fresh start accounting as of August 31, 2010, the Effective Date. Reorganization adjustments have been recorded within the condensed consolidated balance sheet to reflect the effects of the Plan, including discharge of liabilities subject to compromise and the adoption of fresh start accounting in accordance with FASB ASC 852.

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U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	August 31, 2010			
	Predecessor	Plan of Reorganization Adjustments	Fresh Start Accounting Adjustments	Successor
ASSETS				
Current assets:				
Cash and cash equivalents	$ 8,516	$ (2,063) o		$ 6,453
Trade accounts receivable, net	85,970			85,970
Inventories	29,853		(1,268) l	28,585
Deferred income taxes	23,419		(5,006) p	18,413
Prepaid expenses	4,535	75 a		4,610
Other current assets	7,742			7,742
Assets held for sale	18,871			18,871
Total current assets	178,906	(1,988)	(6,274)	170,644
Property, plant and equipment, net	207,012		(64,712) l	142,300
Goodwill	14,063		(14,063) l	
Other assets	3,894	6,100 b	1,045 l	11,039
Asset held for sale	3,272			3,272
Total assets	$ 407,147	$ 4,112	$ (84,004)	$ 327,255
LIABILITIES AND EQUITY (DEFICIT)				
Liabilities not subject to compromise:				
Current liabilities:				
Current maturities of long-term debt	$ 52,553	$ (51,875) c		$ 678
Accounts payable	32,776			32,776
Accrued liabilities	52,319	3,186 d		55,505
Derivative liabilities		16,723 m		16,723
Liabilities held for sale	20,976			20,976
Total current liabilities	158,624	(31,966)		126,658
Long-term debt, net of current maturities	488	41,400 e		41,888
Other long-term obligations and deferred credits	8,505	(592) n		7,913
Deferred income taxes	24,264		(5,051) p	19,213
Total long-term liabilities	33,257	40,808	(5,051)	69,014
Liabilities subject to compromise	285,756	(285,756) f		

Total liabilities	477,637		(276,914)		(5,051)		195,672
Commitments and contingencies							
Deficit:							
Preferred stock							
Common stock	38		(26)	g			12
Additional paid-in capital	269,379		130,150	h	(267,958)	k	131,571
Retained earnings (deficit)	(336,553)		147,548	i	189,005	k	
Treasury stock, at cost	(3,354)		3,354	j			
Total stockholders equity (deficit)	(70,490)		281,026		(78,953)		131,583
Non-controlling interest							
Total equity (deficit)	(70,490)		281,026		(78,953)		131,583
Total liabilities and equity (deficit)	$ 407,147		$ 4,112		$ (84,004)		$ 327,255

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U.S. CONCRETE, INC. AND SUBSIDIARIES
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Notes to Plan of Reorganization and Fresh Start Accounting Adjustments:

a Reflects the capitalization of a prepaid annual banking fee related to the Convertible Notes and New Credit Agreement.

b Reflects the capitalization of deferred financing costs related to the Convertible Notes and New Credit Agreement.

c Reflects repayment of amounts outstanding under the DIP Credit Agreement pursuant to the Plan.

d Reflects the accrual and payment of certain professional fees and accrued interest. Also includes the accelerated recognition of the current portion of deferred gains related to the cancellation of an interest rate swap transaction on the Old Notes.

e Reflects the issuance of the Convertible Notes in the amount of $55.0 million pursuant to the Plan net of the derivative liability in the amount of $13.6 million which was bifurcated and separately recorded.

f Reflects the extinguishment of liabilities subject to compromise (LSTC) at emergence. LSTC was comprised of $272.6 million of Old Notes and $13.2 million of related accrued interest. The holders of the Old Notes received common stock of the successor entity.

g Reflects the issuance of 11.9 million shares in new common stock at $0.001 par value and the extinguishment of 38.3 million shares ($0.001 par) of Old Common Stock.

h Reflects the net adjustment to additional paid-in capital (APIC) due to the retirement of old common stock and treasury stock, the issuance of new common stock, and the impact of charges due to unrecognized equity-based compensation.

i Reflects the net impact of Plan adjustments on retained earnings due to the gain on extinguishment of debt and other reorganization charges.

j Reflects the cancellation of predecessor treasury stock.

k Reflects the net impact of the loss on revaluation of assets resulting from fresh-start reporting and the elimination of the Predecessor s historical accumulated deficit, resulting in Successor s equity value of $131.6 million.

l Reflects fair value adjustments resulting from fresh-start reporting.

m Reflects the issuance of warrants to purchase new Common Stock pursuant to the Plan and the derivative liability recorded in connection with the Convertible Notes.

n Reflects recognition of deferred gain related to the cancellation of an interest rate swap transaction on the Old Notes.

o Reflects net cash impact from the issuance of new debt net of payment of existing debt facilities and other costs.

p Reflects adjustments to deferred taxes resulting from fresh start accounting.

4. REORGANIZATION ITEMS

In accordance with authoritative accounting guidance issued by the FASB, separate disclosure is required for reorganization items, such as certain expenses, provisions for losses and other charges directly associated with or resulting from the reorganization and restructuring of the business, which have been realized or incurred during the Chapter 11 Cases.

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Reorganization items were comprised of the following (in thousands):

	Predecessor	
	Period from July 1 through August 31, 2010	Period from Jan 1 through August 31, 2010
Gain from cancellation of debt	$ 151,872	$ 151,872
Loss from fresh start valuation adjustments	(78,955)	(78,955)
Professional fees	(7,068)	(9,243)
Write-off of Old Notes deferred financing costs		(4,483)
Total reorganization items, net	$ 65,849	$ 59,191

In addition to the amounts reflected in reorganization items in the above table, prior to the Petition Date, we incurred professional fees related to our reorganization of approximately $5.0 million that are included in selling, general and administrative expenses for the eight-month period ended August 31, 2010 in the Condensed Consolidated Statements of Operations. Additionally, we wrote off approximately $1.6 million of unamortized deferred financing costs during the second quarter of 2010 related to our Prepetition Credit Agreement that has been included in interest expense in the eight-month period ended August 31, 2010 in the Condensed Consolidated Statements of Operations. The amounts due under the Prepetition Credit Agreement were paid in full with a portion of the proceeds from our DIP Credit Agreement. For the one-month period from September 1 through September 30, 2010, we incurred approximately $0.6 million of professional fees related to our reorganization that is included in selling, general and administrative expenses.

5. ACQUISITIONS, DISPOSITIONS AND ASSETS HELD FOR SALE

Superior Redemption

Certain of our subsidiaries (the Joint Venture Partners) and Edw. C. Levy Co. (Levy) were members of Superior and each held Shares of Superior, as defined in the Superior Operating Agreement, dated April 1, 2007 (the Operating Agreement). In August 2010, we entered into the Redemption Agreement (the Redemption Agreement) with the Joint Venture Partners, Superior and Levy, regarding the redemption of the Joint Venture Partners Shares by Superior (the Redemption). In September 2010, we entered into a Joinder Agreement to the Redemption Agreement with the Joint Venture Partners, Superior, Levy, VCNA Prairie, Inc. (the New Joint Venture Partner) and Votorantim Cement North America, Inc. (VCNA), whereby the New Joint Venture Partner and VCNA became parties to the Redemption Agreement. On September 30, 2010, the Company completed the disposition of its interest in Superior pursuant to the Redemption Agreement.

Pursuant to the Redemption Agreement, as consideration for the Redemption, Superior, Levy, the New Joint Venture Partner, and VCNA (the Indemnifying Parties) agreed to indemnify us and the Joint Venture Partners from, among other items: (i) facts or circumstances that occur on or after the closing of the Redemption (the Closing) and which relate to the post-closing ownership or operation of Superior; (ii) the Agreement Approving Asset Sale with Central States, Southeast Areas Pension Fund, dated March 30, 2007; (iii) the Company s obligation to provide retiree medical coverage to current and former Clawson employees of Superior and its affiliates pursuant to the collective bargaining agreement between Superior and the Teamster s Local Union No. 614; and (iv) Superior s issuance of 500 Shares to the New Joint Venture Partner.

At the closing of the Redemption on September 30, 2010, the Company and the Joint Venture Partners collectively paid $640,000 in cash and issued a $1.5 million promissory note (the Promissory Note) to Superior as partial

consideration for the indemnification and other consideration provided by the Indemnifying Parties pursuant to the Redemption Agreement.

The Promissory Note does not bear interest and requires the Company and the Joint Venture Partners to pay Superior $750,000 on or before each of January 1, 2011 and January 1, 2012. The Promissory Note may be prepaid, in whole or in part, without premium, penalty or additional interest. We recognized a loss of approximately $11.6 million from redeeming our interest in Superior. We and the Joint Venture Partners have also agreed, for a period of five (5) years after the Closing not to compete with Superior in the State of Michigan, subject to certain exceptions.

The results of Superior have been included in discontinued operations for the periods presented in the condensed consolidated statements of operations. See Note 6 for more information.

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Other

During the second quarter of 2010, we made the decision to dispose of some of our transport equipment in northern California and as such have classified these assets as held for sale. These assets are recorded at the estimated fair value less costs to sell of approximately $0.9 million. There were no assets held for sale as of December 31, 2009.

In September 2009, we sold our ready-mixed concrete plants in Sacramento, California for approximately $6.0 million, plus a payment for inventory on hand at closing. This sale resulted in a pre-tax loss of approximately $3.0 million after the allocation of approximately $3.0 million of goodwill related to these assets.

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

6. DISCONTINUED OPERATIONS

As disclosed in Note 5, we closed on the redemption of our 60% interest in Superior in September 2010. Accordingly, there were no assets and liabilities of Superior reflected on the consolidated balance sheet as of September 30, 2010. In August 2010, we entered into the Redemption Agreement and in accordance with authoritative accounting guidance, wrote the net assets of this subsidiary down to the fair value less costs to sell. Additionally, we have presented the results of operations for all periods as discontinued operations. The following summarizes the results of operations included in discontinued operations:

	Successor	Predecessor	
	Period from September 1 through September 30, 2010	Period from July 1 through August 31, 2010	Period from Jan 1 through August 31, 2010
Revenue	$ 5,931	$ 13,777	$ 33,625
Operating expenses	(5,782)	(13,520)	(37,465)
Loss on redemption	(120)	(18,200)	(18,200)
Income (loss) from discontinued operations, before income taxes and non-controlling interest	29	(17,943)	(22,040)
Income tax benefit (expense)	(29)	1,390	1,358
Loss from discontinued operations before non-controlling interest		(16,553)	(20,682)
Non-controlling interest		6,340	8,010
Loss from discontinued operations	$	$ (10,213)	$ (12,672)

	Predecessor	
	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009

Revenue	$ 17,265	$ 37,557
Operating expenses	(25,354)	(51,379)
Income (loss) from discontinued operations, before income taxes and non-controlling interest	(8,089)	(13,822)
Income tax benefit (expense)	(76)	(225)
Loss from discontinued operations before non-controlling interest	(8,165)	(14,047)
Non-controlling interest	3,238	5,632
Loss from discontinued operations	$ (4,927)	$ (8,415)

7. INVENTORIES

Inventories consist of the following (in thousands):

	Successor September 30, 2010	**Predecessor December 31, 2009**
Raw materials	$ 19,610	$ 18,128
Precast products	6,252	7,342
Building materials for resale	2,123	2,555
Fuel and repair parts	831	2,935
	$ 28,816	$ 30,960

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8. DEBT

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

	Successor September 30, 2010	Predecessor December 31, 2009
Senior secured credit facility due 2014	$ 5,007	$
Convertible secured notes due 2015	41,627	
Prepetition senior secured credit facility		16,700
Old Notes		271,756
Notes payable and other financing	450	2,319
Superior Materials Holdings, LLC secured credit facility		5,604
Capital leases	613	163
	47,697	296,542
Less: current maturities	(587)	(7,873)
Total long-term debt	$ 47,110	$ 288,669

The estimated fair value of our debt at September 30, 2010 approximated its carrying value and at December 31, 2009 was $188.7 million.

Senior Secured Credit Facility due 2014

On the Effective Date of the Plan, we and certain of our subsidiaries entered into a new credit agreement, dated as of August 31, 2010 (the New Credit Agreement), which provides for a $75.0 million asset-based revolving credit facility (the Revolving Facility). The New Credit Agreement matures in August 2014. As of September 30, 2010, we had outstanding borrowings of $5.0 million and $21.4 of undrawn standby letters of credit under the Revolving Facility. The availability under the Revolving Facility was approximately $33.5 million at September 30, 2010.

Up to $30 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 of (a) 85% of the face amount of eligible accounts receivable plus (b) the lesser of (i) 85% of the net orderly liquidation value (as determined by the most recent appraisal) of eligible inventory and (ii) the sum of (A) 50% of the eligible inventory (other than eligible aggregates inventory) and (B) 65% of the eligible aggregates inventory plus (c) the lesser of (i) $15.0 million and (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) 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. In addition, prior to the delivery of our financial statements for the fiscal quarter ended September 30, 2011, there will be an availability block (the Availability Block) of $15.0 million and after such date, unless the fixed charge coverage ratio for any trailing twelve month period is greater than or equal to 1.00:1.00, there will be an Availability Block of $15.0 million, to be increased monthly by $1.0 million up to a maximum of $20.0 million. Beginning with the fiscal month in which the Availability Block is eliminated and with respect to each fiscal month thereafter, at any time that availability under the Revolving Facility is less than $15.0 million, the Company must maintain a fixed charge coverage ratio of at least 1.00:1.00 until availability is greater than or equal to $15.0 million for a period of 30 consecutive days.

Under the New Credit Agreement, our capital expenditures may not exceed (i) $15.0 million in the aggregate from the Effective Date (August 31, 2010) through and including December 31, 2010 and (ii) 7.0% of our consolidated annual revenue for the trailing twelve month period ending on the last day of each fiscal quarter thereafter (commencing with the fiscal quarter ended March 31, 2011); provided that the amount of any capital expenditures permitted to be made in respect of the trailing twelve month period ending on March 31, 2011 shall be increased by a maximum of $7.5 million of the unused amount of capital expenditures that were permitted to be made during the fiscal year ended December 31, 2010. Our capital expenditures from the Effective Date through September 30, 2010 were approximately $0.5 million. The Revolving Facility requires us to comply with certain other customary affirmative and negative covenants, and contains customary events of default.

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At our option, loans may be maintained from time to time at an interest rate equal to the Eurodollar-based rate (LIBOR) or the applicable domestic rate (CB Floating Rate). The CB Floating Rate shall be the greater of (x) the interest rate per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate and (y) the interest rate per annum equal to the sum of 1.0% per annum plus the adjusted LIBOR rate for a one month interest period, in each case plus the applicable margin. The applicable margin on loans is 2.75% in the case of loans bearing interest at the CB Floating Rate and 3.75% in the case of loans bearing interest at the LIBOR rate. Issued and outstanding letters of credit are subject to a fee equal to the applicable margin then in effect for LIBOR loans, a fronting fee equal to 0.20% per annum on the stated amount of such letter of credit, and customary charges associated with the issuance and administration of letters of credit. We will also pay a commitment fee on undrawn amounts under the Revolving Facility in an amount equal to 0.75% per annum. Upon any event of default, at the direction of the required lenders under the Revolving Facility, all outstanding loans and the amount of all other obligations owing under the Revolving Facility will bear interest at a rate per annum equal to 2.0% plus the rate otherwise applicable to such loans or other obligations.

Outstanding borrowings under the Revolving Facility are prepayable, and the commitments under the Revolving Facility may be permanently reduced, without penalty. There are mandatory prepayments of principal in connection with (i) the incurrence of certain indebtedness, (ii) certain equity issuances and (iii) certain asset sales or other dispositions (including as a result of casualty or condemnation). Mandatory prepayments are applied to repay outstanding loans without a corresponding permanent reduction in commitments under the Revolving Facility and are subject to the terms of an Intercreditor Agreement.

In connection with the New Credit Agreement, on the Effective Date, we and certain of our subsidiaries entered into a Pledge and Security Agreement (the Security Agreement) with the Administrative Agent. Pursuant to the Security Agreement, all obligations under the Revolving Facility will be secured by (i) a first-priority perfected lien (subject to certain exceptions) in substantially all of our and certain of our subsidiaries present and after-acquired inventory (including as-extracted collateral), accounts, certain specified mixer trucks, deposit accounts, securities accounts, commodities accounts, letter of credit rights, cash and cash equivalents, general intangibles (other than intellectual property and equity in subsidiaries), instruments, documents, supporting obligations and related books and records and all proceeds and products of the foregoing and (ii) a perfected second-priority lien (subject to certain exceptions) on substantially all other present and after acquired property (including, without limitation, material owned real estate).

Convertible Secured notes due 2015

On the Effective Date of the Plan, we issued $55.0 million aggregate principal amount of 9.5% Convertible Secured Notes due 2015 (the Convertible Notes) pursuant to a subscription offering contemplated by the Plan. The Convertible Notes are governed by an indenture (the Indenture), dated as of August 31, 2010. Under the terms of the Indenture, the Convertible Notes bear interest at a rate of 9.5% per annum and will mature on August 31, 2015. Interest payments will be payable quarterly in cash in arrears. Additionally, we recorded a discount of approximately $13.6 million related to an embedded derivative that was bifurcated and separately valued in accordance with authoritative accounting guidance (See Note 9). This discount will be accreted over the term of the note and included in interest expense.

The Convertible Notes will be convertible, at the option of the holder, at any time on or prior to maturity, into shares of our new common stock (the Common Stock), at an initial conversion rate of 95.23809524 shares of Common Stock per $1,000 principal amount of Convertible Notes (the Conversion Rate). The conversion rate is subject to adjustment to prevent dilution resulting from stock splits, stock dividends, business combinations or similar events. In connection with any such conversion, holders of the Convertible Notes to be converted shall also have the right to receive accrued and unpaid interest on such Convertible Notes to the date of conversion (the Accrued Interest). We may elect to pay the Accrued Interest in cash or in shares of Common Stock in accordance with the terms of the Indenture.

In addition, if a Fundamental Change of Control (as defined in the Indenture) occurs prior to the maturity date, in addition to any conversion rights the holders of Convertible Notes may have, each holder of Convertible Notes will have (i) a make-whole provision calculated as provided in the Indenture pursuant to which each holder may be entitled to additional shares of Common Stock upon conversion (the Make Whole Premium), and (ii) an amount equal to the interest on such Convertible Notes that would have been payable from the date of the occurrence of such Fundamental Change of Control (the Fundamental Change of Control Date) through the third anniversary of the Effective Date, plus any accrued and unpaid interest from the Effective Date to the Fundamental Change of Control Date (the amount in this clause (ii), the Make Whole Payment). We may elect to pay the Make Whole Payment in cash or in shares of Common Stock.

If the closing price of the Common Stock exceeds 150% of the Conversion Price (defined as $1,000 divided by the Conversion Rate) then in effect for at least 20 trading days during any consecutive 30-day trading period (the Conversion Event), we may provide, at our option, a written notice (the Conversion Event Notice) of the occurrence of the Conversion Event to each holder of Convertible Notes in accordance with the Indenture. Except as set forth in an Election Notice (as defined below), the right to convert

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Convertible Notes with respect to the occurrence of the Conversion Event shall terminate on the date that is 46 days following the date of the Conversion Event Notice (the Conversion Termination Date), such that the holder shall have a 45-day period in which to convert its Convertible Notes up to the amount of the Conversion Cap (as defined below). Any Convertible Notes not converted prior to the Conversion Termination Date as a result of the Conversion Cap shall be, at the holder s election and upon written notice to the Company (the Election Notice), converted into shares of Common Stock on a date or dates prior to the date that is 180 days following the Conversion Termination Date. The Conversion Cap means the number of shares of Common Stock into which the Convertible Notes are convertible and that would cause the related holder to beneficially own (as such term is defined in Section 13 of the Exchange Act and Rules 13d-3 and 13d-5 thereunder) more than 9.9% of the Common Stock at any time outstanding.

Any Convertible Notes not otherwise converted prior to the Conversion Termination Date or specified for conversion in an Election Notice shall be redeemable, in whole or in part, at our election at any time prior to maturity at par plus accrued and unpaid interest thereon to the Conversion Termination Date.

The Indenture contains certain covenants that restrict 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;
- sell assets and issue capital stock of our restricted subsidiaries;
- incur liens;
- enter into transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

The Convertible Notes will be guaranteed by each of our existing and future direct or indirect domestic restricted subsidiaries. In connection with the Indenture, on August 31, 2010, we and certain of our subsidiaries entered into a Pledge and Security Agreement (the Pledge and Security Agreement) with the noteholder collateral agent. Pursuant to the Pledge and Security Agreement, the Convertible Notes and related guarantees will be secured by first-priority liens on certain of the property and assets directly owned by the Company and each of the guarantors, including material owned real property, fixtures, intellectual property, capital stock of subsidiaries and certain equipment, subject to permitted liens (including a second-priority lien in favor of the Administrative Agent) with certain exceptions. Obligations under the Revolving Facility and those in respect of hedging and cash management obligations owed to the lenders (and their affiliates) that are a party to the Revolving Facility (collectively, the Revolving Facility Obligations) will be secured by a second-priority li