US CONCRETE INC
Form 10-K
March 13, 2009

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

FORM 10-K

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

For the fiscal year ended December 31, 2008

Commission file number 000-26025

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

Delaware	76-0586680
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

Common Stock, par value $.001	Nasdaq Global Select Market
(Title of class)	(Name of exchange on which registered)

Rights to Purchase Series A Junior
Participating Preferred Stock
(Title of class)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer, or a smaller reporting company. See the definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes o Noþ
Aggregate market value of the voting stock held by nonaffiliates of the registrant computed by reference to the last reported sale price of $4.76 of the registrant’s common stock on the Nasdaq National Market as of June 30, 2008, the last business day of the registrant’s most recently completed second quarter: $163,666,969.

There were 37,213,446 shares of common stock, par value $.001 per share, of the registrant outstanding as of March 12, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the registrant’s 2009 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

U.S. CONCRETE, INC.

FORM 10-K
For the Year Ended December 31, 2008

TABLE OF CONTENTS

2

Cautionary Statement Concerning Forward-Looking Statements

From time to time, our management or persons acting on our behalf make forward-looking statements to inform existing and potential security holders about our company. These statements may include projections and estimates concerning our business strategies, revenues, income, cash flows and capital requirements. Forward-looking statements generally use words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "plan," "forecast, "goal" or other words that convey the uncertainty of future events or outcomes. In addition, sometimes we will specifically describe a statement as being a forward-looking statement and refer to this cautionary statement.

This report contains various statements, including those that express a belief, expectation or intention and those that are not statements of historical fact, that are forward-looking statements under the Private Securities Litigation Reform Act of 1995. Those forward-looking statements appear in Item 1—"Business," Item 2— "Properties," Item 3—"L Proceedings," Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7A—"Quantitative and Qualitative Disclosures About Market Risk," Item 9A—"Controls and Procedures" and elsewhere i this report, including in the notes to our Consolidated Financial Statements in Item 8 of this report. Those forward-looking statements speak only as of the date of this report. We disclaim any obligation to update those statements, except as applicable law may require us to do so, and we caution you not to rely unduly on them. We have based those forward-looking statements on our current expectations and assumptions about future events, which may prove to be inaccurate. While our management considers those expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those we discuss in this report under the section entitled "Risk Factors" in Item 1A and the section entitled "Risks and Uncertainties" in Item 7— "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in other reports we file with the Securities and Exchange Commission (the "SEC"). The factors we discuss in this report are not necessarily all the important factors that could affect us. Unpredictable or unknown factors we have not discussed in this report also could have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update our description of important factors each time a potential important factor arises. We advise our existing and potential security holders that they should (1) be aware that important factors to which we do not refer in this report could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements.

PART I

Item 1. Business

General

We are a major producer of ready-mixed concrete, precast concrete products and concrete-related products in select markets in the United States. We operate our business through our ready-mixed concrete and concrete-related products segment and our precast products concrete segment. We are a leading producer of ready-mixed concrete or precast concrete products in substantially all the markets in which we have operations. Ready-mixed and precast concrete products are important building materials that are used in a vast majority of commercial, residential and public works construction projects.

All of our operations are in (and all of our sales are made within) the United States. We operate principally in Texas, California, New Jersey/New York and Michigan, with those states representing 38.6%, 30.8%, 14.3% and 9.1%, respectively, of our consolidated revenues from continuing operations for the year ended December 31,

2008. According to publicly available industry information, those states represented an aggregate of 31.3% of the consumption of ready-mixed concrete in the United States in 2008 (Texas, 14.8%, California, 9.8%, New Jersey/New York, 4.8% and Michigan, 1.9%). We believe that the size and the geographic scope of our operations enables us to achieve cost savings through consolidated purchasing, reduction of our administrative costs on both a national and regional level, and aids in moderating the impact of regional economic cycles and weather conditions. Our consolidated revenues from continuing operations for the year ended December 31, 2008 were $754.3 million, of which we derived approximately 91.0% from our ready-mixed concrete and concrete-related products segment and 9.0% from our precast concrete products segment. For more information on our consolidated revenues and income from operations for the years ended December 31, 2008, 2007 and 2006 and our consolidated total assets as of December 31, 2008 and 2007, see our Consolidated Financial Statements included in this report.

As of March 12, 2009, we had 132 fixed and 12 portable ready-mixed concrete plants, seven precast concrete plants, one concrete block plant and seven producing aggregates facilities (including 27 fixed ready-mixed concrete plants and one masonry block plant operated by our 60%-owned Michigan subsidiary). During 2008, these plants and facilities produced approximately 6.5 million cubic yards of ready-mixed concrete, 0.9 million eight-inch equivalent block units and 3.5 million tons of aggregates. We also own two aggregates facilities that we lease to third parties and retain a royalty on production from those facilities.

Our ready-mixed concrete and concrete-related products segment engages principally in the formulation, preparation and delivery of ready-mixed concrete to the job sites of our customers. We also provide services intended to reduce our customers' overall construction costs by lowering the installed, or "in-place," cost of concrete. These services include the formulation of mixtures for specific design uses, on-site and lab-based product quality control, and customized delivery programs to meet our customers' needs. Our marketing efforts primarily target concrete sub-contractors, general contractors, governmental agencies, property owners and developers and home builders whose focus extends beyond the price of ready-mixed concrete to product quality, on-time delivery and reduction of in-place costs. To a lesser extent, this segment is also engaged in the mining and sale of aggregates and the resale of building materials, primarily to our ready-mixed concrete customers. These businesses are generally complementary to our ready-mixed concrete operations and provide us opportunities to cross-sell various products in markets where we sell both ready-mixed concrete and concrete-related products. We provide our ready-mixed concrete and concrete-related products from our continuing operations in north and west Texas, northern California, New Jersey, New York, Washington, D.C., Michigan and Oklahoma.

Our precast concrete products segment produces precast concrete products at seven plants in three states, with five plants in California, one in Arizona and one in Pennsylvania. Our customers choose precast technology for a variety of architectural applications, including free-standing walls used for landscaping, soundproofing and security walls, panels used to clad a building façade and storm water drainage. Our operations also specialize in a variety of finished products, among which are utility vaults, manholes, catch basins, highway barriers, curb inlets, pre-stressed bridge girders, concrete piles and custom-designed architectural products.

For financial information regarding our reporting segments, including revenue and operating income for the years ended December 31, 2008, 2007 and 2006, see Note 12 to our Consolidated Financial Statements included in this report.

U.S. Concrete, Inc. is a Delaware corporation which was incorporated in 1997. We began operations in 1999, which is the year we completed our initial public offering. In this report, we refer to U.S. Concrete, Inc. and its subsidiaries as "we," "us" or "U.S. Concrete" unless we specifically state otherwise or the context indicates otherwise.

Industry Overview

General

Ready-mixed concrete is a highly-versatile construction material that results from combining coarse and fine aggregates, such as gravel, crushed stone and sand, with water, various chemical admixtures and cement. We manufacture ready-mixed concrete in thousands of variations, which in each instance may reflect a specific design use. We generally maintain only a few days' inventory of raw materials and coordinate our daily materials purchases with the time-sensitive delivery requirements of our customers.

The quality of ready-mixed concrete is time-sensitive as it becomes difficult to place within 90 minutes after mixing. Consequently, the market for a permanently installed ready-mixed concrete plant is usually limited to an area within a 25-mile radius of its plant location. We produce ready-mixed concrete in batches at our plants and use mixer and other trucks to distribute and deliver the concrete to the job sites of our customers. We generally do not provide paving or other finishing services, which construction contractors or subcontractors typically perform.

Ready-mixed concrete is poured-in-place in forms at a construction site and cured on site. In contrast, our precast concrete products are made with ready-mixed concrete (its primary raw material), but are cast in reusable molds or "forms" and cured in a controlled environment at our plant, then either placed in inventory or transported to the construction site. The advantages of using precast concrete products include the higher quality of the material, when formed in controlled conditions, and the reduced cost of reusable forms as compared to the cost of constructing large forms used with ready-mixed concrete placed at the construction site.

We generally obtain contracts through local sales and marketing efforts directed at concrete sub-contractors, general contractors, property owners and developers, governmental agencies and home builders. In many cases, local relationships are very important.

Based on information from the National Ready-Mixed Concrete Association (“NRMCA”) and the National Precast Concrete Association (“NPCA”), we estimate that, in addition to vertically integrated manufacturers of cements and aggregates, over 2,300 independent ready-mixed concrete producers currently operate approximately 6,000 plants in the United States and 3,500 precast concrete products manufacturers operate in the United States and Canada. Larger markets generally have several producers competing for business on the basis of product quality, service, on-time delivery and price.

Annual usage of ready-mixed concrete in the United States dropped significantly in 2007 and 2008 from its "near record" 2006 level. According to information available from the NRMCA and McGraw-Hill Construction, total volume (measured in cubic yards) from the production and delivery of ready-mixed concrete in the United States over the past three years were as follows (in millions):

2008	349
2007	387
2006	421

Ready-mixed concrete and precast concrete products have historically benefited from relatively stable demand and pricing. However, pricing of our products is primarily driven by the cost of raw materials (cement, aggregates, etc.), cost of labor and competition in our local markets. From 2006, through most of 2007, raw materials cost and ready-mixed concrete products average selling prices increased. For 2008, pricing of our raw materials, particularly cement, and our ready-mixed pricing has been put under competitive pressure due to product demand declines due to the slowdown in construction activity in all of our markets, especially in the residential construction sector.

According to recently published McGraw-Hill Construction data, the four major segments of the construction industry accounted for the following approximate percentages of the total volume of ready-mixed concrete produced in the United States in 2006, 2007 and 2008:

	2008	2007	2006
Commercial and industrial construction	25%	24%	20%
Residential construction	16%	23%	30%
Street and highway construction and paving	21%	20%	20%
Other public works and infrastructure construction	38%	33%	30%

Barriers to the start-up of new ready-mixed concrete and precast concrete products manufacturing operations have been increasing. During the past decade, public concerns about dust, process water runoff, noise and heavy mixer and other truck traffic associated with the operation of these types of plants and their general appearance have made obtaining the permits and licenses required for new plants more difficult. Delays in the regulatory process, coupled with the substantial capital investment that start-up operations entail, have raised the barriers to entry for those operations.

For a discussion of the seasonality of the construction industry generally, see Item 1A — "Risk Factors – Our operating results may vary significantly from one reporting period to another and may be adversely affected by the seasonal and cyclical nature of the markets we serve" and Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report.

Significant Factors Impacting the Market for Ready-Mixed Concrete and Precast Concrete Products

On the basis of available industry information, we believe that ready-mixed concrete revenue as a percentage of total construction expenditures in the United States has increased over the last five years.

Industry-wide Promotional and Marketing Activities. Since the 1990s, we believe industry participants have increased their focus on and benefited from promotional activities to increase the industry's share of street and highway construction, commercial and industrial construction and residential construction expenditures. Many of these promotional efforts result from initiatives put forth by industry trade organizations such as the NRMCA, the Portland Cement Association and the NPCA. We believe these types of programs have been a catalyst for increased investment in the promotion of concrete as a construction material of choice.

Development of Concrete Products. Concrete has many attributes that make it a highly versatile construction material. In recent years, industry participants have developed various uses for concrete products, including:

§ high-strength engineered concrete to compete with steel-frame construction;

§ concrete housing;

§ precast modular paving stones;

§ flowable fill for backfill applications;

§ continuous-slab rail-support systems for rapid transit and heavy-traffic rail lines; and

§ concrete bridges, tunnels and other structures for rapid transit systems.

5

Other examples of successful innovations that have opened new markets for concrete include:

- overlaying asphalt pavement with concrete, or “white topping”;
- highway median barriers;
- highway sound barriers;
- paved shoulders to replace less permanent and increasingly costly asphalt shoulders;
- pervious concrete parking lots for water drainage management, as well as providing a long-lasting and aesthetically pleasing urban environment; and
- colored pavements to mark entrance and exit ramps and lanes of expressways.

The American Recovery and Reinvestment Act of 2009 (“the Act”). On February 17, 2009 the Act was signed into law for the purpose of creating jobs and restoring economic growth through, among other things, the modernization of America’s infrastructure and the enhancement of its energy resources. The Act is expected to generate significant construction spending, but the effects of the Act will not be felt for several months because Congress will have to appropriate funds for these programs and each state will have to take appropriate measures to take advantage of such funding. We expect that the Act will provide incremental demand for our products starting in the second half of 2009. However, we cannot predict the impact of the spending under the Act on our business, and the extent and timing of the spending is uncertain at this time.

Our Business Strategy

Our objectives are to become the leading provider of ready-mixed concrete, precast concrete and concrete-related products in each of our existing markets, on a select basis, to integrate our operations vertically through acquisition of aggregates supply sources that support our ready-mixed concrete operations, and to further expand the geographic scope of our business. We plan to achieve these objectives by continuing to execute our business strategy, which includes the primary elements we discuss below.

Improving Marketing and Sales Initiatives

Our marketing and sales strategy emphasizes the sale of value-added products and solutions to customers more focused on reducing their in-place building material costs than on the price per cubic yard of ready-mixed concrete or unit price of the concrete-related product they purchase. Key elements of our customer-focused approach include:

- corporate-level marketing and sales expertise;
- technical service expertise to develop innovative new branded products; and
- training programs that emphasize successful marketing and sales techniques that focus on the sale of high-margin concrete mix designs and specialty-engineered precast concrete products.

We have also formed a strategic alliance to provide alternative solutions for designers and contractors by using value-added concrete products. Through this alliance, we offer color-conditioned, fiber-reinforced, steel-reinforced and high-performance concrete and utilize software technology that can be used to design buildings constructed of reinforced concrete.

Promoting a Green Environment

We recognize the value in advocating green building and construction as part of our strategy. We initiated Environmentally Friendly Concrete ("EF Technology"), our commitment to environmentally friendly concrete technologies that significantly reduce potential carbon dioxide (CO2) emissions. Our EF Technology ready-mixed concrete products replace a portion of traditional raw materials with reclaimed fly ash, slag and other materials. This results in an environmentally superior and sustainable alternative to traditional ready-mixed concrete. We believe EF Technology reduces greenhouse gases and landfill space consumption and produces a highly durable product. Customers can also receive Leadership in Energy and Environmental Design ("LEED") credits for the use of this technology. We are also a supporter of the NRMCA Green-Star program, a plant-specific certification that utilizes an environmental management system based on a model of continual improvement. Two plants in our Dallas/Ft. Worth market were part of the first group of plants to be awarded with Green-Star Certification.

Promoting Operational Excellence and Achieving Cost Efficiencies

We strive to be an operationally excellent organization by:

- investing in safety training solutions and technologies which enhance the safety of our work environments;
- implementing and enhancing standard operating procedures;
- standardizing plants and equipment;
- investing in software and communications technology;
- implementing company-wide quality-control initiatives;
- providing technical expertise to optimize ready-mixed concrete mix designs; and
- developing strategic alliances with key suppliers of goods and services for new product development.

We also strive to increase operating efficiencies. We believe that, if we continue to increase in size on both a local and national level, we should continue to experience future productivity and cost improvements in such areas as:

- purchases of raw materials, through procurement and optimized ready-mixed concrete mix designs;
- purchases of mixer trucks and other equipment, supplies, spare parts and tools;
- vehicle and equipment maintenance;
- insurance and other risk management programs; and
- back-office administrative functions through technology enhancements.

Pursuing Disciplined Growth

Our growth strategy targets a balance between internal growth opportunities and the acquisition of existing businesses. We believe this balanced approach provides us the opportunity to achieve above average growth rates.

Internal Growth. We seek to grow in our existing markets by expanding existing plants, green-fielding new plants, and identifying complementary products or services we can provide to our customers on a cost-effective basis. The benefits and challenges of expansion by internal growth include:

- the initial capital investment for most internal growth projects is typically less than the capital required to purchase a similarly situated existing business;
- internal growth projects are designed and constructed with state-of-the-art equipment, which usually results in greater productivity and lower operating costs than existing businesses that have been in operation for many years;
- internal growth projects often take more time to begin generating revenue and profits due to the upfront permitting and design process; and

§ generally, internal growth projects eliminate the integration risks associated with the acquisition of an existing business.

Acquisition of Existing Businesses. We also seek growth by targeting opportunities to acquire businesses in our existing markets and entering new geographic markets on a select basis in the United States. We typically pursue acquisitions that we believe represent attractive opportunities to strengthen local management teams, implement cost-saving initiatives, achieve market-leading positions and establish best practices. We adhere to a disciplined pricing methodology when acquiring businesses. Based on our methodology for valuing, acquiring and integrating target businesses, we expect our future acquisitions to be accretive to our earnings per share after a reasonable period of integration. We cannot provide any assurance, however, regarding the impact any future acquisition we may complete could have on our future earnings per share.

Our acquisition growth program targets the following:

- § vertical integration of our existing ready-mixed concrete markets with the acquisition of aggregate quarries;
- § acquisition of precast concrete products manufacturing businesses with similar operating strategies to ours, and complimentary product mixes and markets to our own; and
- § selectively acquire ready-mixed concrete operations, primarily in existing markets, as well as evaluate potential new markets.

Products and Services

Ready-Mixed Concrete and Concrete-Related Products Segment

Ready-Mixed Concrete. Our ready-mixed concrete products consist of proportioned mixes we prepare and deliver in an unhardened plastic state for placement and shaping into designed forms at the job site. Selecting the optimum mix for a job entails determining not only the ingredients that will produce the desired permeability, strength, appearance and other properties of the concrete after it has hardened and cured, but also the ingredients necessary to achieve a workable consistency considering the weather and other conditions at the job site. We believe we can achieve product differentiation for the mixes we offer because of the variety of mixes we can produce, our volume production capacity and our scheduling, delivery and placement reliability. Additionally, we believe our EF Technology initiative, which utilizes alternative materials and mix designs that result in lower CO2 emissions, helps differentiate us from our competitors. We also believe we distinguish ourselves with our value-added service approach that emphasizes reducing our customers' overall construction costs by reducing the in-place cost of concrete and the time required for construction.

From a contractor's perspective, the in-place cost of concrete includes both the amount paid to the ready-mixed concrete manufacturer and the internal costs associated with the labor and equipment the contractor provides. A contractor's unit cost of concrete is often only a small component of the total in-place cost that takes into account all the labor and equipment costs required to build the forms for the ready-mixed concrete and place and finish the ready-mixed concrete, including the cost of additional labor and time lost as a result of substandard products or delivery delays not covered by warranty or insurance. By carefully designing proper mixes and using advances in mixing technology, we can assist our customers in reducing the amount of reinforcing steel, time and labor they will require in various applications.

We provide a variety of services in connection with our sale of ready-mixed concrete that can help reduce our customers' in-place cost of concrete. These services include:

- § production of formulations and alternative product recommendations that reduce labor and materials costs;
- § quality control, through automated production and laboratory testing, that ensures consistent results and minimizes the need to correct completed work; and
- § automated scheduling and tracking systems that ensure timely delivery and reduce the downtime incurred by the customer's placing and finishing crews.

We produce ready-mixed concrete by combining the desired type of cement, other cementitious materials (described below), sand, gravel and crushed stone with water and, typically, one or more admixtures. These admixtures, such as chemicals, minerals and fibers, determine the usefulness of the product for particular applications.

We use a variety of chemical admixtures to achieve one or more of five basic purposes:

§ relieve internal pressure and increase resistance to cracking in subfreezing weather;

§ retard the hardening process to make concrete more workable in hot weather;

§ strengthen concrete by reducing its water content;

§ accelerate the hardening process and reduce the time required for curing; and

§ facilitate the placement of concrete having low water content.

We frequently use various mineral admixtures as supplements to cement, which we refer to as cementitious materials, to alter the permeability, strength and other properties of concrete. These materials include fly ash, ground granulated blast-furnace slag, silica fume and other natural pozzolans. These materials also reduce the amount of cement content used which results in a reduction in CO_2 emissions.

We also use fibers, such as steel, glass, synthetic and carbon filaments, as additives in various formulations of concrete. Fibers help control shrinkage cracking, thus reducing permeability and improving abrasion resistance. In many applications, fibers can replace welded steel wire and reinforcing bars. Relative to the other components of ready-mixed concrete, these additives generate comparatively high-margins.

Aggregates. We produce crushed stone aggregates, sand and gravel from seven aggregates facilities located in New Jersey and Texas. We sell these aggregates for use in commercial, industrial and public works projects in the markets they serve, as well as consume them internally in the production of ready-mixed concrete in those markets. We produced approximately 3.5 million tons of aggregates in 2008 from these facilities with Texas producing 48% and New Jersey 52% of that total production. In April 2007, we entered into an agreement to lease our sand pit operations in Michigan to the Edward C. Levy Co. as a component of a ready-mixed concrete business combination, which we refer to as the 60%-owned Michigan subsidiary. We now receive a royalty based on the volume of product produced and sold from the Michigan quarry during the term of the lease.

At December 31, 2008, our total estimated aggregates reserves (excluding an aggregates property leased to a third party) were 77 million tons, assuming loss factors of approximately 20% for unusable material. We believe these aggregates reserves provide us with additional raw materials sourcing flexibility and supply availability, although they will provide us with supply for less than 5% of our annual consumption of aggregates.

Building Materials. Our building materials operations supply concrete masonry, various resale materials, products and tools contractors use in the concrete construction industry. These materials include rebar concrete block, wire mesh, color additives, curing compounds, grouts, wooden forms and numerous other items. Our building materials operations are located near several of our ready-mixed concrete operations in northern California, Michigan and Texas.

Precast Concrete Products Segment

We produce precast concrete products at seven plants in three states, with five in California, one in Arizona and one in Pennsylvania. Our precast concrete products consist of ready-mixed concrete we either produce on-site or purchase from third parties, which is then poured into reusable molds at our plant sites. After the concrete sets, we strip the molds from the finished products and either place them in inventory or ship them to our customers. Our precast technology produces a wide variety of finished products, including a variety of architectural applications, such as free-standing walls used for landscaping, soundproofing and security walls, signage, utility vaults, manholes, panels to clad a building façade, highway barriers, pre-stressed bridge girders, concrete piles, catch basins and curb inlets.

Because precast concrete products are not perishable, we can place these products into inventory and stage them at plants or other distribution sites to serve a larger geographic market area. The cost of transportation and storage usually limits the market area for these types of products to within approximately 150 miles of our plant sites and, therefore, sales are generally driven by the level of construction activity within the market area served by our plants. Our precast concrete products are marketed by our local sales organizations and are sold to numerous customers.

Operations

Ready-Mixed Concrete

Our ready-mixed concrete plants consist of fixed and portable facilities that produce ready-mixed concrete in wet or dry batches. Our fixed-plant facilities produce ready-mixed concrete that we transport to job sites by mixer trucks. Our portable plant operations deploy our twelve portable plant facilities to produce ready-mixed concrete at the job site that we direct into place using a series of conveyor belts or a mixer truck. We use our portable plants to service high-volume projects or projects in remote locations. Several factors govern the choice of plant type, including:

- production consistency requirements;
- daily production capacity requirements; and
- job site proximity to fixed plants.

Generally, we will construct wet batch plants to serve markets that we expect will have consistently high demand, as opposed to dry batch plants that will serve those markets that we expect will have a less consistent demand. A wet batch plant generally has a higher initial cost and daily operating expenses, but yields greater consistency with less time required for quality control in the concrete produced and generally have greater daily production capacity than a dry batch plant. We believe that construction of a wet batch plant having an hourly capacity of 250 cubic yards currently would cost approximately $1.5 million, while a dry batch plant having the same capacity currently would cost approximately $0.7 million. As of March 12, 2009, our fixed batch plants included 23 wet batch plants and 109 dry batch plants.

Our batch operator at a dry batch plant simultaneously loads the dry components of stone, sand and cement with water and admixtures in a mixer truck that begins the mixing process during loading and completes that process while driving to the job site. In a wet batch plant, the batch operator blends the dry components and water in a plant mixer from which an operator loads the already mixed concrete into a mixer truck, which leaves for the job site promptly after loading.

Any future decisions we make regarding the construction of additional plants will be impacted by market factors, including:

§ the expected production demand for the plant;

§ the expected types of projects the plant will service; and

§ the desired location of the plant.

Mixer trucks slowly rotate their loads en route to job sites in order to maintain product consistency. Our mixer trucks typically have load capacities of 10 cubic yards, or approximately 20 tons, and an estimated useful life of 12 years. A new truck of this size currently costs between $160,000 and $190,000, depending on the geographic location and design specifications. Depending on the type of batch plant from which the mixer trucks generally are loaded, some components of the mixer trucks usually require refurbishment after three to five years. As of December 31, 2008, we operated a fleet of approximately 1,077 owned and leased mixer trucks, which had an average age of approximately 7.2 years.

In our ready-mixed concrete operations, we emphasize quality control, pre-job planning, customer service and coordination of supplies and delivery. We often obtain purchase orders for ready-mixed concrete months in advance of actual delivery. A typical order contains specifications the contractor requires the concrete to meet. After receiving the specifications for a particular job, we use computer modeling, industry information and information from previous similar jobs to formulate a variety of mixtures of cement, aggregates, water and admixtures which meet or exceed the contractor’s specifications. We perform testing to determine which mix design is most appropriate to meet the required specifications. The test results enable us to select the mixture that has the lowest cost and meets or exceeds the job specifications. The testing center creates and maintains a project file that details the mixture we will use when we produce the concrete for the job. For quality control purposes, the testing center also is responsible for maintaining batch samples of concrete we have delivered to a job site.

We use computer modeling to prepare bids for particular jobs based on the size of the job, location, desired margin, cost of raw materials and the design mixture identified in our testing process. If the job is large enough and has a projected duration beyond the supply arrangement in place at that time, we obtain quotes from our suppliers as to the cost of raw materials we use in preparing the bid. Once we obtain a quotation from our suppliers, the price of the raw materials for the specified job is informally established. Several months may elapse from the time a contractor has accepted our bid until actual delivery of the ready-mixed concrete begins. During this time, we maintain regular communication with the contractor concerning the status of the job and any changes in the job’s specifications in order to coordinate the multisourced purchases of cement and other materials we will need to fill the job order and meet the contractor’s delivery requirements. We confirm that our customers are ready to take delivery of manufactured products throughout the placement process. On any given day, one of our plants may have production orders for dozens of customers at various locations throughout its area of operation. To fill an order:

§ the customer service office coordinates the timing and delivery of the concrete to the job site;

§

a load operator supervises and coordinates the receipt of the necessary raw materials and operates the hopper that dispenses those materials into the appropriate storage bins;

§ a batch operator, using a computerized batch panel, prepares the specified mixture from the order and oversees the loading of the mixer truck with either dry ingredients and water in a dry batch plant or the premixed concrete in a wet batch plant; and

§ the driver of the mixer truck delivers the load to the job site, discharges the load and, after washing the truck, departs at the direction of the dispatch office.

Our central dispatch system tracks the status of each mixer truck as to whether a particular truck is:

§ loading concrete;

§ en route to a particular job site;

§ on the job site;

§ discharging concrete;

- being rinsed down; or
- en route to a particular plant.

The system is updated continuously on the trucks' status via signals received from sensors. In this manner, the dispatcher can determine the optimal routing and timing of subsequent deliveries by each mixer truck and monitor the performance of each driver.

Our plant managers oversee the operations of each of our plants. Our operational employees also include:

- maintenance personnel who perform routine maintenance work throughout our plants;
- mechanics who perform substantially all the maintenance and repair work on our rolling stock;
- testing center staff who prepare mixtures for particular job specifications and maintain quality control;
- various clerical personnel who perform administrative tasks; and
- sales personnel who are responsible for identifying potential customers and maintaining existing customer relationships.

We generally operate each of our plants on an extended single shift, with some overtime operation during the year. On occasion, however, we may have projects that require deliveries around the clock.

Precast Concrete Products

Our precast concrete products operations consist of seven fixed plant sites where precast products are produced, staged and shipped to our customers and distribution yards. We stage precast products at distribution facilities to serve markets beyond the normal reach of our existing manufacturing sites. Each of our precast manufacturing sites has as its primary components:

- either a concrete batch plant or local ready-mixed concrete provider for the concrete utilized in production;
- precast molds or "forms" for the array of products and product sizes we offer or a custom design center to create precast forms; and
- a crane-way or other method to facilitate moving forms, finished product or pouring ready-mixed concrete.

Some of the products we produce are designed by the customer for use in their own systems, while other products are designed by our in-house engineers to meet the needs of our customers through a more standardized product. Each of our precast manufacturing sites produces a range of precast products.

Generally, precast structures are manufactured by placing pre-engineered ready-mixed concrete into molds, which are then vibrated to facilitate consolidation of the concrete within the mold and remove any voids created by air that may be trapped during the pouring process. These molds generally utilize some form of reinforcing which can include products ranging from (1) welded steel wire or re-bar placed inside the mold in a pre-engineered design to support the integrity of the finished precast product, to (2) steel fibers or other similar additives which are blended into the ready-mixed concrete during mixing to serve a similar purpose, or a combination of both. Once the pouring is complete, any exposed surfaces are finished and the product is allowed to cure in a controlled environment for a minimum of two to four hours and as long as 24 hours, depending on the product and design specification. After the product has cured, the mold is stripped and prepared for re-use in the manufacturing process.

Precast concrete structures are not perishable products. This contributes to our ability to maintain some level of standardized products in inventory at all times, as well as service a larger market area from a plant location than a ready-mixed concrete plant site. Our precast concrete products can be shipped across the country, but due to the weight of the products, shipping is generally limited to within a 150-mile radius of a plant site. Depending on our overall costs, shipments occur either through our existing fleet of crane-equipped trucks or through contract haulers. In some markets, we also install our precast products and provide our customers with the added benefit of eliminating coordination with a third party.

Bidding and order fulfillment processes for our precast business are similar to our ready-mixed concrete operations, as previously described above. Cement and aggregates are the two primary raw materials used in precast concrete manufacturing, similar to our ready-mixed concrete operations, while labor costs are second only to our materials cost.

Cement and Other Raw Materials

We obtain most of the materials necessary to manufacture ready-mixed concrete and precast concrete products on a daily basis. These materials include cement, other cementitious materials (fly ash, blast furnace slag) and aggregates (stone, gravel and sand), in addition to certain chemical admixtures. With the exception of chemical admixtures, each plant typically maintains an inventory level of these materials sufficient to satisfy its operating needs for a few days. Cement represents one of the highest cost material used in manufacturing a cubic yard of ready-mixed concrete. During 2008, based on raw materials pricing and mix design changes requiring less cement in the manufacturing of ready-mixed concrete, aggregates represents the highest materials cost used followed closely by cementitious materials. Historically, we have purchased cement from several suppliers in each of our major markets. Due to certain industry consolidations and our decision to have a primary and secondary supplier, in certain of our markets, we are now purchasing cement from fewer suppliers than in past years. Based on current economic conditions, this decision has not affected our ability to obtain an adequate supply of cement for our operations. Chemical admixtures are generally purchased from suppliers under national purchasing agreements.

Generally, cement and aggregates prices remained relatively flat in most of our markets in 2008, as compared to 2007. In certain of our markets, where we did experience cement and aggregates price increases, our ready-mixed concrete products pricing increased in relative proportion to our raw material price increases. Generally, we negotiate with suppliers on a company-wide basis and at the local market level to obtain the most competitive pricing available for cement, aggregates and chemical admixtures. The demand for construction sector products was weak throughout 2008, with sales volumes significantly below 2007 and 2006 levels. The slowdown in our end-use markets has caused an oversupply of cement in most of our markets, with cement producers slowing down domestic production and reducing imported cement to respond to the weak demand. We do not expect to experience cement shortages. Today, in most of our markets, we believe there is an adequate supply of aggregates.

Marketing and Sales

General contractors typically select their suppliers of ready-mixed concrete and precast concrete. In large, complex projects, an engineering firm or division within a state transportation or public works department may influence the purchasing decision, particularly if the concrete has complicated design specifications. In those projects and in government-funded projects generally, the general contractor or project engineer usually awards supply orders on the basis of either direct negotiation or competitive bidding. We believe the purchasing decision for many jobs ultimately is relationship-based. Our marketing efforts target general contractors, developers, design engineers, architects and homebuilders whose focus extends beyond the price of our product to quality, consistency and reducing the in-place cost.

Customers

Of our 2008 revenue, we had approximately 55% from commercial and industrial construction contractors, 26% from residential construction contractors and 19% from street and highway construction contractors and other public works and infrastructure contractors. In 2008, no single customer or project accounted for more than 2.5% of our total revenue.

We rely heavily on repeat customers. Our management and sales personnel are responsible for developing and maintaining successful long-term relationships with key customers.

Competition

The ready-mixed concrete, precast concrete and concrete-related products industries are highly competitive. Our competitive position in a market depends largely on the location and operating costs of our plants and prevailing prices in that market. Price is the primary competitive factor among suppliers for small or simple jobs, principally in residential construction. However, timeliness of delivery and consistency of quality and service, along with price, are the principal competitive factors among suppliers for large or complex jobs. Our competitors range from small, owner-operated private companies to subsidiaries or operating units of large, vertically integrated manufacturers of cement and aggregates. Our vertically integrated competitors generally have greater manufacturing, financial and marketing resources than we have, providing them with a competitive advantage. Competitors having lower operating costs than we do or having the financial resources to enable them to accept lower margins than we do will have a competitive advantage over us for jobs that are particularly price-sensitive. Competitors having greater financial resources or less financial leverage than we do may be able to invest more in new mixer trucks, ready-mixed concrete plants and other production equipment or pay for acquisitions which could provide them a competitive advantage over us. See Item 1A – “Risk Factors – We may lose business to competitors who underbid us, and we may be otherwise unable to compete favorably in our highly competitive industry.”

Employees

As of March 12, 2009, we had approximately 614 salaried employees, including executive officers and management, sales, technical, administrative and clerical personnel, and approximately 1,947 hourly personnel. The number of employees fluctuates depending on the number and size of projects ongoing at any particular time, which may be impacted by variations in weather conditions throughout the year.

As of March 12, 2009, approximately 925 of our employees were represented by labor unions having collective bargaining agreements with us. Generally, these agreements have multi-year terms and expire on a staggered basis between 2009 and 2013. Under these agreements, we pay specified wages to covered employees and make payments to multi-employer pension plans and employee benefit trusts rather than administering the funds on behalf of these employees.

Other than a two-day strike at certain operations within our Atlantic Region in 2004, we have not experienced any strikes or significant work stoppages in the past five years. We believe our relationships with our employees and union representatives are satisfactory. See Note 14 to our Consolidated Financial Statements included in this report for a discussion of class action litigation involving various mixer truck and transport truck drivers who have worked in our operations in California.

Training and Safety

Our future success will depend, in part, on the extent to which we can attract, retain and motivate qualified employees. We believe that our ability to do so will depend, in part, on providing a work environment that allows employees the opportunity to develop and maximize their capabilities. We support and fund continuing education and training programs for our employees. We intend to continue and expand these programs. We require all field employees to attend periodic safety training meetings and all drivers to participate in training seminars. We employ a national safety director whose responsibilities include managing and executing a unified, company-wide safety program. Employee development and safety are criteria used in evaluating performance in our annual incentive plan for salaried employees.

Governmental Regulation and Environmental Matters

A wide range of federal, state and local laws, ordinances and regulations apply to our operations, including the following matters:

§ land usage;

§ street and highway usage;

§ noise levels; and

§ health, safety and environmental matters.

In many instances, we are required to have various certificates, permits or licenses to conduct our business. Our failure to maintain these required authorizations or to comply with applicable laws or other governmental requirements could result in substantial fines or possible revocation of our authority to conduct some of our operations. Delays in obtaining approvals for the transfer or grant of authorizations, or failures to obtain new authorizations, could impede acquisition efforts.

Environmental laws that impact our operations include those relating to air quality, solid waste management and water quality. These laws are complex and subject to frequent change. They impose strict liability in some cases without regard to negligence or fault. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. In addition, businesses may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources. These laws also may expose us to liability for the conduct of or conditions caused by others, or for acts that complied with all applicable laws when performed.

We have conducted Phase I environmental site assessments, which are non-intrusive investigations conducted to evaluate the potential for significant on-site environmental impacts, on substantially all the real properties we own or lease and have engaged independent environmental consulting firms to complete those assessments. We have not identified any environmental concerns associated with those properties that we believe are likely to have a material adverse effect on our business, financial position, results of operations or cash flows, but we can provide no assurance material liabilities will not occur. In addition, we can provide no assurance our compliance with amended, new or more stringent laws, stricter interpretations of existing laws or the future discovery of environmental conditions will not require additional, material expenditures.

We believe we have all material permits and licenses we need to conduct our operations and are in substantial compliance with applicable regulatory requirements relating to our operations. Our capital expenditures relating to environmental matters were not material in 2008. We currently do not anticipate any material adverse effect on our business, financial condition, results of operations or cash flows as a result of our future compliance with existing environmental laws controlling the discharge of materials into the environment.

In March 2005, the California Regional Water Quality Control Board for the Central Valley Region ("CRWQCB") issued a draft order to regulate discharges of concrete wastewater and solid wastes associated with concrete manufacturing at ready-mixed concrete plants located in and near Sacramento, California. This order would affect four sites in which six of our ready-mixed concrete plants operate in northern California. If approved in its current draft form, the order would require all existing ready-mixed concrete plants in the area to retrofit or reconstruct their waste management units to provide impermeable containment of all concrete wastewater and install leak detection systems. It also would require all new ready-mixed concrete plants in the area to be constructed with similar waste management units. The draft order provides that operators of existing ready-mixed concrete plants would have 180 days to apply for coverage under the order, and then one year after coverage is obtained to complete all required retrofitting. In June 2005, the CRWQCB delayed approval of the order to provide the Construction Materials Association of California and various concrete producers time to provide certain information to the CRWQCB for further consideration. Although our actual capital expenditures may vary significantly and will ultimately depend on final regulations, if the order is approved in its current form, the cost of capital improvements to our plants at the four sites in the affected area may be up to $1.0 million per site. Also, if the order is considered and adopted by the California Water Quality Control Board for the San Francisco Bay Region, we might incur similar costs to retrofit our existing plants in that area. At December 31, 2008, we operated 20 ready-mixed concrete plants in northern California which could be impacted by this order should it be enacted.

Product Warranties

Our operations involve providing ready-mixed concrete, precast concrete products and other concrete formulations or products that must meet building code or other regulatory requirements and contractual specifications for durability, stress-level capacity, weight-bearing capacity and other characteristics. If we fail or are unable to provide products meeting these requirements and specifications, material claims may arise against us and our reputation could be damaged. In the past, we have had significant claims of this kind asserted against us that we have resolved. There currently are, and we expect that in the future there will be, additional claims of this kind asserted against us. If a significant product-related claim is resolved against us in the future, that resolution may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Insurance

Our employees perform a significant portion of their work moving and storing large quantities of heavy raw materials, driving large mixer and other trucks in heavy traffic conditions and delivering concrete at construction sites or in other areas that may be hazardous. These operating hazards can cause personal injury and loss of life, damage to or destruction of properties and equipment and environmental damage. We maintain insurance coverage in amounts and against the risks we believe are in accord with industry practice, but this insurance may not be adequate to cover all losses or liabilities we may incur in our operations, and we may be unable to maintain insurance of the types or at levels we deem necessary or adequate or at rates we consider reasonable. For additional discussion of our insurance programs, see Note 14 to our Consolidated Financial Statements included in this report.

Available Information

Our Web site address is www.us-concrete.com. We make available on this Web site under the “investors” section, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file those materials with, or furnish them to, the SEC. Alternatively, the public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC’s Web site address is www.sec.gov.

Item 1A.Risk Factors

Set forth below and under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risks and Uncertainties" in Item 7 of Part II of this report are various risks and uncertainties that could adversely impact our business, financial condition, results of operations and cash flows.

There are risks related to our internal growth and operating strategy.

Our ability to generate internal growth will be affected by, among other factors, our ability to:

§ attract new customers; and

§ differentiate ourselves in a competitive market by emphasizing new product development and value-added sales and marketing; hiring and retaining employees; and reducing operating and overhead expenses.

One key component of our operating strategy is to operate our businesses on a decentralized basis, with local or regional management retaining responsibility for day-to-day operations, profitability and the internal growth of the individual business. If we do not implement and maintain proper overall business controls, this decentralized operating strategy could result in inconsistent operating and financial practices and our overall profitability could be adversely affected.

Our resources, including management resources, are limited and may be strained if we engage in a significant number of acquisitions. Also, acquisitions may divert our management's attention from initiating or carrying out programs to save costs or enhance revenues.

Our inability to achieve internal growth could materially and adversely affect our business, financial condition, results of operations and cash flows.

Our results of operations could be adversely affected as a result of goodwill impairments.

Goodwill represents the amount by which the total purchase price we have paid for acquisitions exceeds our estimated fair value of the net tangible assets acquired. We test goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. We generally test for goodwill impairment in the fourth quarter of each year, because this period gives us the best visibility of the reporting units' operating performances for the current year (seasonally, April through October are highest revenue and production months) and outlook for the upcoming year, since much of our customer base is finalizing operating and capital budgets. We will record such a charge to the extent that the book-equity value of any one of our reporting units (including goodwill) exceeds the estimated fair value of that reporting unit. The estimated fair values of our reporting units were based on discounted cash flow models derived from internal earnings forecasts and other market-based valuation techniques.

During the fourth quarters of 2008, 2007 and 2006, we performed our annual test of goodwill, which resulted in impairments of $135.3 million, $81.9 million and $38.8 million, respectively. In 2008, our goodwill impairment included writedowns in the majority of our reporting units, specifically in our South Central Region reporting unit, our Atlantic Region reporting unit, our Southwest Precast reporting unit, our Northern California Precast reporting unit and our Northern California reporting unit. The underlying markets within these reporting units have been significantly impacted by the depressed construction sector, weak macro-economic conditions and tight or illiquid credit market conditions, which have significantly reduced our valuation metrics, including higher cost of capital assumptions used in determining our future discounted cash flow streams. In 2007, our goodwill impairment included a write-off of the remaining goodwill in our Michigan reporting unit and goodwill in our South Central and Northern

California Precast reporting units. Our South Central and Northern California Precast reporting units were severely impacted by the downward trend in residential construction, increased competition and the economic impact of the change in the geographic mix of sales volume. The 2006 writedown was related to our Michigan reporting unit and was due to increased competition and a general economic downturn in Michigan, driven by the decline in the U.S. automotive industry in that region, lower operating profits and a downward trend in cash flows.

As of December 31, 2008, goodwill represented approximately 12% of our total assets. We can provide no assurance that future goodwill impairments will not occur. If we determine that any of our remaining balance of goodwill is impaired, we will be required to take an immediate noncash charge to earnings.

As a result of capital constraints and other factors, we may not be able to grow as rapidly as we may desire through acquiring additional businesses.

In addition to our existing working capital and cash from operations, our senior secured credit facility provides us with a significant source of liquidity. Effective March 2, 2007, the facility was increased to provide us a borrowing capacity of up to $150 million, as compared to $105 million of borrowing capacity at December 31, 2006. The credit agreement relating to this facility provides that the administrative agent may, on the bases specified, reduce the amount of the available credit from time to time. At December 31, 2008, there was $11.0 million outstanding under the credit facility and the amount of the available credit was approximately $91.1 million, net of outstanding letters of credit of $11.6 million.

We cannot readily predict the timing, size and success of our acquisition efforts or the capital we will need for those efforts. We may use our common stock as a component of the consideration we pay for future acquisitions. Issuances of common stock as acquisition consideration could have a dilutive effect on our stockholders. If our common stock does not maintain a sufficient market value or potential acquisition candidates are unwilling to accept our common stock as part of the consideration for the sale of their businesses, we may be required to use more of our cash resources to pursue our acquisition program.

Using cash for acquisition consideration limits our financial flexibility and increases the likelihood that we will need to seek additional capital through future debt or equity financings. If we seek more debt financing, we may have to agree to financial covenants that limit our operational and financial flexibility. Additional equity financing may dilute the ownership interests of our stockholders. There is no assurance that additional debt or equity financing will be available on terms acceptable to us.

Our substantial debt could adversely affect our financial condition.

We currently have a significant amount of debt. As of December 31, 2008, we had approximately $306.0 million of outstanding debt. Our substantial debt and other financial obligations could:

§ make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on our indebtedness;

§ require us to dedicate a substantial portion of our cash flow from operations to service payments on our indebtedness, thereby reducing funds available for other purposes;

§ increase our vulnerability to a downturn in general economic conditions or the industry in which we compete;

§ limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, general corporate and other purposes;

§ place us at a competitive disadvantage to our competitors; and

§ limit our ability to plan for and react to changes in our business and the ready-mixed concrete industry.

Our senior secured credit facility and the indenture governing our outstanding 8 % senior subordinated notes permit us to incur and to guarantee additional indebtedness. We anticipate that any future acquisitions we pursue as part of our strategy, as well as any future repurchases of our securities may be financed through a combination of cash on hand, operating cash flow, availability under our existing credit facility and new securities offerings. If new debt is added to current debt levels, the related risks described above could increase.

We will require a significant amount of cash to service all our debt.

Our ability to pay or to refinance our indebtedness depends on our future operating performance, which may be affected by general economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow from operations and future financings may not be available to us in amounts sufficient to enable us to pay our debt or fund other liquidity needs. If we are unable to generate sufficient cash flow to meet our debt service obligations, we may have to renegotiate the terms of our debt or obtain additional financing, possibly on less favorable terms than our current debt. If we are not able to renegotiate the terms of our debt or obtain additional financing, we could be forced to sell assets under unfavorable circumstances. The terms of our senior secured credit facility and the indenture governing our senior subordinated notes limit our ability to sell assets and generally restrict the use of proceeds from asset sales.

Our existing debt arrangements impose restrictions on us that may adversely affect our ability to operate our business.

The indenture governing our $285 million aggregate principal amount of senior subordinated notes and our senior secured credit facility contain covenants that restrict, among other things, our ability to:

§ incur additional indebtedness and issue preferred stock;

§ pay dividends;

- make asset sales;
- make certain investments;
- enter into transactions with affiliates;
- incur liens on assets to secure other debt;
- engage in specified business activities; and
- engage in certain mergers or consolidations and transfers of assets.

Additionally, any "material adverse change" of the Company could restrict our ability to borrow under the senior secured credit facility. A material adverse change is defined as a material adverse change in any of (a) our condition (financial or otherwise), business, performance, prospects, operations or properties, taken as a whole, (b) our ability, taken as a whole, to perform our respective obligations under the Loan Documents or (c) the rights and remedies of the Administrative Agent, the Lenders or the issuers to enforce the Loan Documents. Our indenture and senior secured credit facility contain financial covenants and other limitations with which we must comply. Our ability to comply with these covenants may be affected by events beyond our control, and our future operating results may not be sufficient to comply with the covenants or, in the event of a default under either our indenture or senior secured credit facility, to remedy such a covenant default.

Our failure to comply with any of our financial or other covenants under our indenture or senior secured credit facility could result in an event of default. On the occurrence of any such event of default, the trustee under the indenture or our lenders could elect to declare all amounts outstanding under the indenture or our senior secured credit facility, as applicable, to be immediately due and payable, and our lenders could terminate all commitments to extend further credit to us and foreclose on any collateral we have granted to secure our obligations under our senior secured credit facility.

Further tightening of mortgage lending or mortgage financing requirements could adversely affect the residential construction market and prolong the downturn in, or further reduce, the demand for new home construction which began in 2006 and has had a negative effect on our sales volumes and revenues.

During 2007 and 2008, the mortgage lending and mortgage finance industries experienced significant instability due to, among other things, defaults on subprime loans and adjustable-rate mortgages. In light of these developments, lenders, investors, regulators and other third parties have questioned the adequacy of lending standards and other credit requirements for several loan programs made available to borrowers in recent years. This has led to reduced investor demand for mortgage loans and mortgage-backed securities, reduced market values for those securities, tightened credit requirements, reduced liquidity, increased credit risk premiums and regulatory actions. Deterioration in credit quality among subprime and other loans has caused many lenders to eliminate subprime mortgages and other loan products that do not conform to Fannie Mae, Freddie Mac, FHA or VA standards. Fewer loan products and tighter loan qualifications in turn make it more difficult for some categories of borrowers to finance the purchase of new homes. In general, these developments have been a significant factor in the downturn of, and have delayed any general improvement in, the housing market.

Approximately 26% of our 2008 revenue was from residential construction contractors. Further tightening of mortgage lending or mortgage financing requirements could adversely affect the availability to obtain credit for some borrowers and prolong the downturn in, or further reduce the demand for, new home construction, which could have a material adverse effect on our business and results of operations in 2009. A further downturn in new home construction could also adversely affect our customers focused in this industry segment, possibly resulting in slower payments, higher default rates in our accounts receivable, and an overall increase in working capital.

The global financial crisis may impact our business and financial condition in ways that we currently cannot predict.

The unprecedented and continuing credit crisis and related turmoil in the global financial system may have an impact on our business and our financial condition. In particular, the cost of capital has increased substantially while the availability of funds from the capital markets has diminished significantly. Accordingly, our ability to access the capital markets may be restricted or be available only on unfavorable terms. Limited access to the capital markets could adversely impact our ability to take advantage of business opportunities or react to changing economic and business conditions and could adversely impact our ability to execute our long-term growth strategy. Ultimately we may be required to reduce our future capital expenditures substantially. Such a reduction could have a material adverse effect on our revenues, income from operations and cash flows.

If one or more of the lenders under our senior secured credit facility were to become unable or unwilling to perform their obligations under that facility, our borrowing capacity could be reduced. Our inability to borrow additional amounts under our senior secured credit facility could limit our ability to fund our future operations and growth.

The current economic situation could have an impact on our suppliers and our customers, causing them to fail to meet their obligations to us, which could have a material adverse effect on our revenues, income from operations and cash flows. The uncertainty and volatility of the global financial crisis may have further impacts on our business and financial condition that we currently cannot predict or anticipate.

Our operating results may vary significantly from one reporting period to another and may be adversely affected by the seasonal and cyclical nature of the markets we serve.

The ready-mixed concrete and precast concrete businesses are seasonal. In particular, demand for our products and services during the winter months are typically lower than in other months because of inclement winter weather. In addition, sustained periods of inclement weather or permitting delays could postpone or delay projects over geographic regions of the United States, and consequently, could adversely affect our business, financial condition, results of operations and cash flows. The relative demand for our products is a function of the highly cyclical construction industry. As a result, our revenues may be adversely affected by declines in the construction industry generally and in our local markets. Our results also may be materially affected by:

§ the level of residential and commercial construction in our regional markets, including reductions in the demand for new residential housing construction below current or historical levels;

§ the availability of funds for public or infrastructure construction from local, state and federal sources;

§ unexpected events that delay or adversely affect our ability to deliver concrete according to our customers' requirements;

§ changes in interest rates and lending standards;

§ the changes in mix of our customers and business, which result in periodic variations in the margins of jobs performed during any particular quarter;

§ the timing and cost of acquisitions and difficulties or costs encountered when integrating acquisitions;

§ the budgetary spending patterns of customers;

§ increases in construction and design costs;

§ power outages and other unexpected delays;

§ our ability to control costs and maintain quality;

§ employment levels; and

§ regional or general economic conditions.

As a result, our operating results in any particular quarter may not be indicative of the results that you can expect for any other quarter or for the entire year. Furthermore, negative trends in the ready-mixed concrete industry or in our geographic markets could have material adverse effects on our business, financial condition, results of operations and cash flows.

We may be unsuccessful in continuing to carry out our strategy of growth through acquisitions.

One of our principal growth strategies is to increase our revenues and the markets we serve and to continue selectively entering new geographic markets through the acquisition of additional ready-mixed concrete, precast concrete products, aggregates products and related businesses. We may not be able to acquire suitable acquisition candidates at reasonable prices and on other reasonable terms for a number of reasons, including the following:

§ the acquisition candidates we identify may be unwilling to sell;

§ we may not have sufficient capital to pay for acquisitions; and

§ competitors in our industry may outbid us.

In addition, there are risks associated with the acquisitions we complete. We may face difficulties integrating the newly acquired businesses into our operations efficiently and on a timely basis. We also may experience unforeseen difficulties managing the increased scope, geographic diversity and complexity of our operations or mitigating contingent or assumed liabilities, potentially including liabilities we do not anticipate.

We may lose business to competitors who underbid us, and we may be otherwise unable to compete favorably in our highly competitive industry.

Our competitive position in a given market depends largely on the location and operating costs of our plants and prevailing prices in that market. Generally, our products are price-sensitive. Our prices are subject to changes in response to relatively minor fluctuations in supply and demand, general economic conditions and market conditions, all of which are beyond our control. Because of the fixed-cost nature of our business, our overall profitability is sensitive to minor variations in sales volumes and small shifts in the balance between supply and demand. Price is the primary competitive factor among suppliers for small or simple jobs, principally in residential construction. However, timeliness of delivery and consistency of quality and service, as well as price, are the principal competitive factors among suppliers for large or complex jobs. Concrete manufacturers like us generally obtain customer contracts through local sales and marketing efforts directed at general contractors, developers, governmental agencies and homebuilders. As a result, we depend on local relationships. We generally do not have any long-term sales contracts with our customers.

Our competitors range from small, owner-operated private companies to subsidiaries or operating units of large, vertically integrated manufacturers of cement and aggregates. Our vertically integrated competitors generally have greater manufacturing, financial and marketing resources than we have, providing them with competitive advantages. Competitors having lower operating costs than we do or having the financial resources to enable them to accept lower margins than we do will have competitive advantages over us for jobs that are particularly price-sensitive. Competitors having greater financial resources or less financial leverage than we do to invest in new mixer trucks, build plants in new areas or pay for acquisitions also will have competitive advantages over us.

We depend on third parties for concrete equipment and supplies essential to operate our business.

We rely on third parties to sell or lease property, plant and equipment to us and to provide supplies, including cement and other raw materials, necessary for our operations. We cannot assure you that our favorable working relationships with our suppliers will continue in the future. Also, there have historically been periods of supply shortages in the concrete industry, particularly in a strong economy.

If we are unable to purchase or lease necessary properties or equipment, our operations could be severely impacted. If we lose our supply contracts and receive insufficient supplies from other third parties to meet our customers' needs or if our suppliers experience price increases or disruptions to their business, such as labor disputes, supply shortages or distribution problems, our business, financial condition, results of operations and cash flows could be materially adversely affected.

In 2006, cement prices rose at rates similar to those experienced in 2005 and 2004, as a result of strong domestic consumption driven largely by historic levels of residential construction that did not abate until the second half of 2006. During 2007 and 2008, residential construction slowed significantly, which resulted in a decline in the demand for ready-mixed concrete. Cement prices remained relatively flat in 2008, while cement supplies were at levels that indicated a very low risk of cement shortages in our markets. Should demand increase substantially beyond our current expectations, we could experience shortages of cement in future periods, which could adversely affect our operating results, through both decreased sales and higher cost of raw materials.

From 2006 through 2008, our product pricing for ready-mixed concrete increased in most of our markets. These price increases generally allowed us to absorb the increased cost of raw materials (primarily cement, other cementitious materials and aggregates) in 2007 and 2008. In 2006, the rising cost of raw materials outpaced our ability to increase prices and, as a result, our margins were adversely impacted. However, improvements in our product pricing in 2007 and 2008 was offset, in part, by higher labor, freight and delivery costs, including rising diesel fuel costs. Due to escalating diesel fuel prices, we experienced both increased freight charges for our raw materials, in the form of fuel surcharges, and increased fuel costs to deliver our products to our customers. As these costs have become more significant over the last three years, we instituted fuel surcharges in most of our markets in an attempt to cover these rising costs. Diesel fuel prices decreased substantially in the fourth quarter of 2008 and fuel surcharges we incurred from our suppliers, third party freighters to us and fuel surcharges we charged to our customers have been significantly reduced or eliminated. We do not have any long-term fuel supply contracts that would protect us from rising fuel costs. Sustaining or improving our margins in the future will depend on market conditions and our ability to increase our product pricing or realize gains in productivity to offset further increases in raw materials and other costs.

Governmental regulations, including environmental regulations, may result in increases in our operating costs and capital expenditures and decreases in our earnings.

A wide range of federal, state and local laws, ordinances and regulations apply to our operations, including the following matters:

- land usage;
- street and highway usage;
- noise levels; and
- health, safety and environmental matters.

In many instances, we must have various certificates, permits or licenses in order to conduct our business. Our failure to maintain required certificates, permits or licenses or to comply with applicable governmental requirements could result in substantial fines or possible revocation of our authority to conduct some of our operations. Delays in obtaining approvals for the transfer or grant of certificates, permits or licenses, or failure to obtain new certificates, permits or licenses, could impede the implementation of our acquisition program.

Governmental requirements that impact our operations include those relating to air quality, solid waste management and water quality. These requirements are complex and subject to frequent change. They impose strict liability in some cases without regard to negligence or fault and may expose us to liability for the conduct of or conditions caused by others, or for our acts that complied with all applicable requirements when we performed them. Our compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements, or the future discovery of environmental conditions may require us to make unanticipated material expenditures. In addition, we may fail to identify or obtain indemnification from environmental liabilities of acquired businesses. We generally do not maintain insurance to cover environmental liabilities.

In March 2005, the California Regional Water Quality Control Board for the Central Valley Region ("CRWQCB") issued a draft order to regulate discharges of concrete wastewater and solid wastes associated with concrete manufacturing at ready-mixed concrete plants located in and near Sacramento, California. This order would affect four sites in which six of our ready-mixed concrete plants operate in northern California. If approved in its current draft form, the order would require all existing ready-mixed concrete plants in the area to retrofit or reconstruct their waste management units to provide impermeable containment of all concrete wastewater and install leak detection systems. It also would require all new ready-mixed concrete plants in the area to be constructed with similar waste management units. The draft order provides that operators of existing ready-mixed concrete plants would have 180 days to apply for coverage under the order, and then one year after coverage is obtained to complete all required retrofitting. In June 2005, the CRWQCB delayed approval of the order to provide the Construction Materials Association of California and various concrete producers time to provide certain information to the CRWQCB for further consideration. Although our actual capital expenditures may vary significantly and will ultimately depend on final regulations, if the order is approved in its current form, the cost of capital improvements to our plants at the four sites in the affected area may be up to $1.0 million per site. Also, if the order is considered and adopted by the California Water Quality Control Board for the San Francisco Bay Region, we might incur similar costs to retrofit our existing plants in that area. At December 31, 2008, we operated a total of 20 ready-mixed concrete plants in northern California which could be impacted by this order should it be enacted.

Our operations are subject to various hazards that may cause personal injury or property damage and increase our operating costs.

Operating mixer trucks, particularly when loaded, exposes our drivers and others to traffic hazards. Our drivers are subject to the usual hazards associated with providing services on construction sites, while our plant personnel are subject to the hazards associated with moving and storing large quantities of heavy raw materials. Operating hazards can cause personal injury and loss of life, damage to or destruction of property, plant and equipment and environmental damage. Although we conduct training programs designed to reduce these risks, we cannot eliminate these risks. We maintain insurance coverage in amounts we believe are in accord with industry practice; however, this insurance may not be adequate to cover all losses or liabilities we may incur in our operations, and we may not be able to maintain insurance of the types or at levels we deem necessary or adequate or at rates we consider reasonable. A partially or completely uninsured claim, if successful and of sufficient magnitude, could have a material adverse effect on us.

The insurance policies we maintain are subject to varying levels of deductibles. Losses up to the deductible amounts are accrued based on our estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. If we were to experience insurance claims or costs above our estimates, our business, financial condition, results of operations and cash flows might be materially and adversely affected.

The departure of key personnel could disrupt our business.

We depend on the efforts of our executive officers and, in many cases, on senior management of our businesses. Our success will depend on retaining our senior-level managers and officers. We need to insure that key personnel are compensated fairly and competitively to reduce the risk of departure of key personnel to our competitors or other industries. To the extent we are unable to attract and retain qualified management personnel, our business, financial condition, results of operations and cash flows could be materially and adversely affected. We do not carry key personnel life insurance on any of our employees.

We may be unable to attract and retain qualified employees.

Our ability to provide high-quality products and services on a timely basis depends on our success in employing an adequate number of skilled plant managers, technicians and drivers. Like many of our competitors, we experience shortages of qualified personnel from time to time. We may not be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy, and our labor expenses may increase as a result of a shortage in the supply of skilled personnel.

Collective bargaining agreements, work stoppages and other labor relations matters may result in increases in our operating costs, disruptions in our business and decreases in our earnings.

As of March 12, 2009, approximately 36%, or 925, of our employees were covered by collective bargaining agreements, which expire between 2009 and 2013. Our inability to negotiate acceptable new contracts or extensions of existing contracts with these unions could cause work stoppages by the affected employees. In addition, any new contracts or extensions could result in increased operating costs attributable to both union and nonunion employees. If any such work stoppages were to occur, or if other of our employees were to become represented by a union, we could experience a significant disruption of our operations and higher ongoing labor costs, which could materially adversely affect our business, financial condition, results of operations and cash flows. In addition, the coexistence of union and nonunion employees may impede our ability to integrate our operations efficiently. Also, labor relations matters affecting our suppliers of cement and aggregates could adversely impact our business from time to time.

We contribute to 13 multiemployer pension plans. During 2006, the “Pension Protection Act of 2006” (the “PPA”) was signed into law. For multiemployer defined benefit plans, the PPA establishes new funding requirements or rehabilitation requirements, creates additional funding rules for plans that are in endangered or critical status, and introduces enhanced disclosure requirements to participants regarding a plan’s funding status. The Worker, Retiree and Employer Recovery Act of 2008 (the “WRERA”) was enacted on December 23, 2008 and provides some funding relief to defined benefit plan sponsors affected by recent market conditions. The WRERA allows multiemployer plan sponsors to elect to freeze their current fund status at the same funding status as the preceding plan year (for example, a calendar year plan that is not in critical or endangered status for 2008 may elect to retain that status for 2009), and sponsors of multiemployer plans in endangered or critical status in plan years beginning in 2008 or 2009 are allowed a three-year extension of funding improvement or rehabilitation plans (extends timeline for these plans to accomplish their goals from 10 years to 13 years, or from 15 years to 18 years for seriously endangered plans). Additionally, if we were to withdraw partially or completely from any plan that is underfunded, we would be liable for a proportionate share of that plan’s unfunded vested benefits. Based on the information available from plan administrators, pursuant to the Pension Plan Act of 2006, we believe that our portion of the contingent liability in the case of a full or partial withdrawal from or termination of several of these plans or the inability of plan sponsors to meet the funding or rehabilitation requirements would be material to our business financial condition, results of operations and cash flows.

Our overall profitability is sensitive to price changes and minor variations in sales volumes.

Generally, our products are price-sensitive. Prices for our products are subject to changes in response to relatively minor fluctuations in supply and demand, general economic conditions and market conditions, all of which are beyond our control. Because of the fixed-cost nature of our business, our overall profitability is sensitive to price changes and minor variations in sales volumes.

We may incur material costs and losses as a result of claims our products do not meet regulatory requirements or contractual specifications.

Our operations involve providing products that must meet building code or other regulatory requirements and contractual specifications for durability, stress-level capacity, weight-bearing capacity and other characteristics. If we fail or are unable to provide products meeting these requirements and specifications, material claims may arise against us and our reputation could be damaged. In the past, we have had significant claims of this kind asserted against us that we have resolved. There currently are, and we expect that in the future there will be, additional claims of this kind asserted against us. If a significant product-related claim or claims are resolved against us in the future, that resolution may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our net revenue attributable to infrastructure projects could be negatively impacted by a decrease or delay in governmental spending.

Our business depends in part on the level of governmental spending on infrastructure projects in our markets. Reduced levels of governmental funding for public works projects or delays in that funding could adversely affect our business, financial condition, results of operations and cash flows.

Some of our plants are susceptible to damage from earthquakes, for which we have a limited amount of insurance.

We maintain only a limited amount of earthquake insurance, and, therefore, we are not fully insured against earthquake risk. Any significant earthquake damage to our plants could materially adversely affect our business, financial condition, results of operations and cash flows.

Increasing insurance claims and expenses could lower our profitability and increase our business risk.

The nature of our business subjects us to product liability, property damage and personal injury claims. Over the last several years, insurance carriers have raised premiums for many companies operating in our industry, including us. Increased premiums may further increase our insurance expense as coverage expires or otherwise cause us to raise our self-insured retention. If the number or severity of claims within our self-insured retention increases, we could suffer costs in excess of our reserves. An unusually large liability claim or a string of claims based on a failure repeated throughout our mass production process may exceed our insurance coverage or result in direct damages if we were unable or elected not to insure against certain hazards because of high premiums or other reasons. In addition, the availability of, and our ability to collect on, insurance coverage is often subject to factors beyond our control.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Facilities

The table below lists our concrete plants as of March 12, 2009. We believe these plants are sufficient for our current needs. The ready-mixed concrete volumes shown are the volumes from continuing operations each location produced in 2008, except that production volumes related to plants we acquired during the year reflect production from the date of acquisition through year-end.

	Ready-Mixed Concrete Plants					Ready-Mixed Concrete Volume (in thousands
Locations	Fixed	Portable	Total	Precast Plants	Block Plants	of cubic yards)
Ready-Mixed Concrete and Concrete-Related Products Segment:						
Northern California	22	3	25	—	—	1,472
Atlantic Region	21	5	26	—	—	981
Texas / Southwest Oklahoma	62	4	66	—	—	3,221
Michigan	27	—	27	—	1	843

Precast Concrete Products Segment:						
Northern California	—	—	—	3	—	—
Southern California/Arizona	—	—	—	3	—	—
Pennsylvania	—	—	—	1	—	—
Total Company	132	12	144	7	1	6,517

The fixed plants listed above are located on approximately 73 sites we own and 67 sites we lease. The lease terms extend to dates that vary from 2009 to 2019. We intend to renew most of the leases expiring in the near term. Of those leases we do not renew, we expect to relocate most of the related plant facilities to future leased or owned sites.

We produce crushed stone aggregates, sand and gravel, from seven aggregates facilities located in Texas and New Jersey. We sell these aggregates for use in commercial, industrial and public works projects in the markets they serve, as well as consume them internally in the production of ready-mixed concrete in those markets. We produced approximately 3.5 million tons of aggregates in 2008, with Texas producing 48% and New Jersey 52% of that total production. In April 2007, we entered into an agreement to lease our sand pit operations in Michigan to the Edward C. Levy Co. as a part of the formation of our 60%-owned Michigan subsidiary. We now receive a royalty based on the volume of product produced and sold from the quarry during the term of the lease.

At December 31, 2008, our total estimated aggregates reserves are 77 million tons, assuming loss factors of approximately 20% for unusable material. We believe these aggregates reserves provide us with additional raw materials sourcing flexibility and supply availability, although they will provide us with supply for less than 5% of our annual consumption of aggregates.

Equipment

As of December 31, 2008, we operated a fleet of approximately 1,077 owned and leased mixer trucks and 1,307 other vehicles. Our own mechanics service most of the fleet. We believe these vehicles generally are well maintained and are adequate for our operations. The average age of our mixer trucks is approximately 7.2 years.

For additional information related to our properties, see Item 1 of this report.

Item 3. Legal Proceedings

The information set forth under the heading “Legal Proceedings” in Note 14, “Commitments and Contingencies ,” to our Consolidated Financial Statements included in this report is incorporated by reference into this Item 3.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of our security holders during the fourth quarter of 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the Nasdaq Global Select Stock Market under the symbol "RMIX." As of March 12, 2009, shares of our common stock were held by approximately 533 stockholders of record. The number of record holders does not necessarily bear any relationship to the number of beneficial owners of our common stock.

The closing price for our common stock on the Nasdaq Global Select Market on March 12, 2009 was $1.75 per share. The following table sets forth, for the periods indicated, the range of high and low sales prices for our common stock:

	2008		2007	
	High	Low	High	Low
First Quarter	$ 4.40	$ 2.14	$ 9.25	$ 6.35
Second Quarter	$ 6.25	$ 3.05	$ 9.48	$ 7.79
Third Quarter	$ 8.38	$ 3.86	$ 9.05	$ 6.50
Fourth Quarter	$ 4.69	$ 1.83	$ 6.99	$ 3.21

We have not paid or declared any dividends since our formation and currently intend to retain any earnings to fund our working capital and growth initiatives. Additional information concerning restrictions on our payment of cash dividends may be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in Item 7 of this report and Note 9 to our Consolidated Financial Statements in this report.

PERFORMANCE GRAPH

The following graph compares, for the period from December 31, 2003 to December 31, 2008, the cumulative stockholder return on our common stock with the cumulative total return on the Standard & Poor's 500 Index and a peer group index we selected that includes four public companies within our industry. The comparison assumes that (1) $100 was invested on December 31, 2003 in our common stock, the S&P 500 Index and the peer group index and (2) all dividends were reinvested.

The peer group companies at December 31, 2008 for this performance graph are Texas Industries, Inc., Eagle Materials Inc., Martin Marietta Materials, Inc. and Vulcan Materials Company. In addition to ready-mixed concrete and concrete-related products, the members of the peer group also have material operations in other segments of the building products industry in which we either do not currently operate, or do not operate at a comparable level, such as cement, aggregates and other building products. These other business segments of peer group members have an affect on cumulative stockholder return over the covered period.

Equity Compensation Plan Information

The following table summarizes, as of December 31, 2008, the indicated information regarding equity compensation to our employees, officers, directors and other persons under our equity compensation plans. These plans use or are based on shares of our common stock.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Stock Options		Weighted Average Exercise Price of Outstanding Stock Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in first column)
Equity compensation plans approved by security holders(1)	1,683,832	$	7.16	2,417,000
Equity compensation plans not approved by security holders (2)	323,880		6.48	227,727
Total	2,007,712	$	7.05	

(1) Pursuant to the terms of the 2008 Incentive Plan, there were 2,417,000 shares of our common stock remaining available for awards under the plan for future issuance as of December 31, 2008, plus shares of common stock which are the subject of awards under the 1999 Incentive Plan or the 2001 Employee Incentive Plan (the “2001 Plan”) that are forfeited or terminated, expire unexercised, are settled in cash in lieu of common stock or in a manner such that all or some of the shares covered thereby are not issued or are exchanged for consideration that does not involve common stock. The 1999 Incentive Plan terminated on December 31, 2008, but there are still outstanding awards of stock options and restricted stock under such plan.

(2) Our board adopted the 2001 Plan in February 2001. The purpose of this plan is to attract, retain and motivate our employees and consultants, to encourage a sense of propriety of those persons in our company and to stimulate an active interest of those persons in the development and financial success of our company. Awards may be made to any of our employees or consultants. The plan provides for grants of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock and other long-term incentive awards. None of our officers or directors is eligible to participate in the plan. Pursuant to the terms of the 2001 Plan, there were 227,727 shares of our common stock remaining available for awards under the plan for future issuance as of December 31, 2008. However, we do not anticipate making any new awards under the 2001 Plan. Additionally, shares of our common stock which were the subject of awards under the 2001 Plan when the 2008 Incentive Plan was adopted that are subsequently forfeited or terminated, expire unexercised, are settled in cash in lieu of common stock or in a manner such that all or some of the shares covered thereby are not issued or are exchanged for consideration that does not involve common stock are included in the number of shares that may be issued under the 2008 Incentive Plan.

Issuer Purchases of Equity Securities

The following table provides information with respect to our repurchases of shares of our common stock during the fourth quarter of 2008:

Calendar Month	Total Number of Shares Purchased(1),(2)	Average Price Paid Per Share	Total Number of Shares Purchased	Maximum Number (or Approximate Dollar

			as Part of Publicly Announced Plans or Programs	Value) of Shares That May Yet Be Purchased Under the Plans or Programs(2)
October 2008	2,991,649	1.98	2,976,942	-
November 2008	7,120	3.15	-	-
December 2008	16,036	3.09	-	-

(1) Includes 37,863 shares of our common stock repurchased during the three-month period ended December 31, 2008, from company employees who elected for us to make their required tax payments upon vesting of certain restricted shares by withholding a number of those vested shares having a value on the date of vesting equal to their tax obligations.

(2) In January 2008, our Board of Directors authorized repurchases of up to three million shares of our common stock from time-to-time at prevailing prices as permitted by securities laws and other requirements and subject to market conditions and other factors. The Board modified the repurchase plan in October 2008 to slightly increase the aggregate number of shares that could be repurchased. The program was completed during the fourth quarter of 2008, with a total of 3,148,405 shares being acquired during 2008 for approximately $2.10 per share.

Item 6. Selected Financial Data

The information below was derived from the audited Consolidated Financial Statements included in this report and in other reports we have previously filed with the SEC, and this information should be read together with those financial statements and the notes to those financial statements. The adoption of new accounting pronouncements, changes in accounting policies and reclassifications impact the comparability of the financial information presented below. These historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31(5)				
	2008(1)	2007(2)	2006(3)	2005	2004(4)
Statement of Operations Data:					
Revenue	$ 754,298	$ 803,803	$ 728,510	$ 525,637	$ 455,876
Income (loss) from continuing operations, net of tax	$ (132,297)	$ (63,760)	$ (7,303)	$ 14,431	$ (10,360)
Loss from discontinued operations, net of tax	$ (149)	$ (5,241)	$ (787)	$ (1,819)	$ (179)
Net income (loss)	$ (132,446)	$ (69,001)	$ (8,090)	$ 12,612	$ (10,539)
Earnings (Loss) Per Share Data:					
Basic income (loss) per share from continuing operations	$ (3.48)	$ (1.67)	$ (0.20)	$ 0.50	$ (0.37)
Loss from discontinued operations, net of tax	$ —	$ (0.14)	$ (0.02)	$ (0.06)	$ —
Basic net income (loss) per share	$ (3.48)	$ (1.81)	$ (0.22)	$ 0.44	$ (0.37)
Diluted income (loss) per share from continuing operations	$ (3.48)	$ (1.67)	$ (0.20)	$ 0.49	$ (0.37)
Loss from discontinued operations, net of tax	$ —	$ (0.14)	$ (0.02)	$ (0.06)	$ —
Diluted net income (loss) per share	$ (3.48)	$ (1.81)	$ (0.22)	$ 0.43	$ (0.37)
Balance Sheet Data (at end of period):					
Total assets	$ 507,810	$ 647,256	$ 716,646	$ 494,043	$ 449,159
Total debt (including current maturities)	$ 305,988	$ 298,500	$ 303,292	$ 201,571	$ 200,777
Total stockholders' equity	$ 69,796	$ 205,105	$ 269,577	$ 184,921	$ 168,849
Statement of Cash Flow Data:					
Net cash provided by operating activities	$ 30,113	$ 44,338	$ 39,537	$ 41,229	$ 34,423
Net cash used in investing activities	$ (40,593)	$ (34,084)	$ (230,679)	$ (58,563)	$ (11,597)
Net cash provided by (used in) financing activities	$ 953	$ (4,208)	$ 176,292	$ 1,281	$ 9,770
Ready-mixed Concrete Data					
Average selling price per cubic yard	$ 94.22	$ 91.70	$ 88.23	$ 86.42	$ 77.43
Sales volume in cubic yards from continuing operations	6,517	7,176	6,679	4,734	4,519

(1) The 2008 results include an impairment charge of $119.8 million, net of income taxes, in the fourth quarter pursuant to our annual review of goodwill in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets."

(2) The 2007 results include an impairment charge of $76.4 million, net of income taxes, in the fourth quarter pursuant to our annual review of goodwill in accordance with SFAS No. 142. Also in 2007, we discontinued the operations

of three business units in certain markets. The financial data for years prior to 2007 have been restated to segregate the effects of the operations of those discontinued units.

(3) The 2006 results include an impairment charge of $26.8 million, net of income taxes, primarily pursuant to our annual review of goodwill in accordance with SFAS No. 142.

(4) The 2004 results include a loss on early extinguishment of debt of $28.8 million ($18.0 million, net of income taxes), which consisted of $25.9 million in premium payments to holders of our prior subordinated notes and a write-off of $2.9 million of debt issuance costs associated with our debt repayments.

(5) All data presented in each year has been restated to reflect the effect of our fourth quarter of 2007 decision to dispose of certain of our operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statements we make in the following discussion that express a belief, expectation or intention, as well as those that are not historical facts, are forward-looking statements that are subject to various risks, uncertainties and assumptions. Our actual results, performance or achievements, or industry results, could differ materially from those we express in the following discussion as a result of a variety of factors, including the risks and uncertainties to which we refer under the headings "Cautionary Statement Concerning Forward-Looking Statements" preceding Item 1 of this report, "Risk Factors" in Item 1A of this report and "—Risks and Uncertainties" below.

Our Business

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

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

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

Our Markets; Pricing and Demand Trends

We derive substantially all our revenues from the sale of ready-mixed concrete, precast concrete and concrete-related products to the construction industry in the United States. We typically sell our products under purchase orders that require us to formulate, prepare and deliver the product to our customers' job sites. We recognize revenue from these orders when we deliver the ordered products. The principal states in which we operate are Texas (39% of 2008 revenue and 35% of 2007 revenue), California (31% of 2008 revenue and 32% of 2007 revenue), New Jersey/New York (14% of 2008 revenue and 14% of 2007 revenue) and Michigan (9% of 2008 revenue and 11% of 2007 revenue). We serve substantially all segments of the construction industry in our markets. Our customers include contractors for commercial and industrial, residential, street and highway and other public works construction. The approximate percentages of our concrete product revenue by construction type activity were as follows in 2008 and 2007:

	2008	2007
Commercial and industrial	55%	49%
Residential	26%	35%
Street, highway and other public works	19%	16%

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

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

For 2008, our overall average sales prices were modestly higher than in 2007. However, pricing trends varied by region in our ready-mixed concrete markets. We experienced pricing improvements in our northern California and north and west Texas markets, and pricing declines in our New Jersey, Michigan and Washington, D.C. markets, as compared to 2007 We announced price increases in several of our markets, generally effective October 1, 2008 and early 2009. The extent to which we realize benefits from these announced price increases will depend on market conditions and whether such increases exceed our raw material and other cost increases.

During 2008, we experienced marked declines in the demand for our products, primarily in our residential end-use markets. We experienced weaker demand in our commercial end-use markets in the latter half of 2008. Ready-mixed concrete sales volumes generally began to decline during the early summer of 2006 and continued to decline throughout 2007 and 2008. This decline reflects a sustained downward trend in residential construction activity and commercial projects in many of our markets. The overall construction downturn, in both residential and commercial end-use markets, was consistent throughout 2008, resulting in ready-mixed concrete sales volumes being down on a same-plant-sales basis in 2008 in all of our markets as compared to 2007. Ready-mixed concrete sales volumes related to public works construction were higher in 2008, as compared to 2007. We expect ready-mixed concrete sales volumes in 2009 to be lower than sales volumes achieved in 2008 because of continued sluggishness in the residential and commercial end-use construction markets, which will be exacerbated by the financial crisis and U.S. recession, as described further under "Item 1A. Risk Factors— Further tightening of mortgage lending or mortgage financing requirements could adversely affect the residential construction market and prolong the downturn in, or further reduce, the demand for new home construction which began in 2006 and has had a negative effect on our sales volumes and revenues" and "—The global financial crisis may impact our business and financial condition in ways that we currently cannot predict."

Demand for our products in our precast concrete products segment decreased in 2008, as compared to 2007. This decline is reflective of the decline in residential construction starts in our northern California and Phoenix, Arizona markets, where our precast business has been heavily weighted toward products used in new residential construction projects. We are continuing the process of refocusing our product lines and streamlining our operations in these markets to better serve existing demand and penetrate additional end-use markets. This streamlining has resulted in the closure of one of our facilities in northern California, resulting in a pre-tax charge of approximately $0.7 million in the fourth quarter of 2008. We also closed a small operating facility and consolidated the operations on one site in Phoenix, Arizona during 2008.

Our Michigan market remains subject to a prolonged economic downturn, which is projected to continue throughout 2009. As a result, our 60%-owned Michigan subsidiary, which was formed in April 2007, has experienced same-plant-sales volume declines. We maintain a strong competitive position in Michigan and believe we are well positioned for growth when the Michigan economy, and related construction activity, begins to recover.

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

Cement and Other Raw Materials

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

We negotiate cement and aggregates pricing with suppliers both on a company-wide basis and at the local market level, in an effort to obtain the most competitive pricing available for cement and aggregates. We anticipate that the residential construction downturn that began in the second half of 2006 and continued throughout 2007 and 2008 will continue through 2009 and, therefore, commercial construction and other building segments will comprise a larger percentage of overall product demand. Due to the severe slowdown in residential housing starts and decreased demand in other construction activity, combined with increased U.S. cement capacity, we have not experienced cement shortages during 2008 and we do not expect to experience cement shortages in 2009. We expect that demand for cement consumption nationally will be down in 2009 as compared to 2008. Announced cement price increases in 2008 were delayed or withdrawn in many of our markets, and price increases in certain markets realized by our cement suppliers have been significantly lower than in 2007. Although several cement suppliers have announced price increases effective in the first quarter of 2009 in several of our markets, overall, we expect average 2009 cement prices to be flat or lower than cement prices in 2008.

Aggregates pricing in 2008 has increased moderately over 2007 levels. Today, in most of our markets, we believe there is an adequate supply of aggregates. Should demand for aggregates increase significantly, we could experience escalating prices or shortages of aggregates. During the first nine months of 2008, we experienced higher diesel fuel surcharges from our cement and aggregates suppliers, including third-party haulers, due to increases in costs of diesel fuel. The price of diesel fuel declined significantly in the fourth quarter of 2008, and fuel surcharges have been removed by the majority of our suppliers and third-party haulers. Many of our aggregates suppliers have announced modest price increases effective January 1, 2009. Certain aggregate suppliers have reduced their pricing in exchange for non-binding volume commitments in 2009. However, on average we expect aggregate prices to be up modestly over 2008 aggregate prices.

Acquisitions

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

Ready-Mixed Concrete and Concrete-Related Products Segment

New York Acquisitions. In November 2008, we paid $2.5 million to acquire a ready-mixed concrete operation in Brooklyn, New York. We used borrowings under our existing credit facility to fund the payment of the purchase price. In August 2008, we paid $2.0 million to acquire a ready-mixed concrete operation in Mount Vernon, New York. We used borrowings under our existing credit facility to fund the purchase price. In January 2008, we acquired a ready-mixed concrete operation in Staten Island, New York. The purchase price was approximately $1.8 million.

West Texas Acquisitions. In June 2008, we acquired nine ready-mixed concrete plants, together with related real property, rolling stock and working capital, in our west Texas market for approximately $13.5 million. In June 2007, we acquired two ready-mixed concrete plants, including real property and certain raw material inventories, in our west Texas market for approximately $3.6 million.

Superior Materials Joint Venture. In April 2007, we formed a jointly owned company (Superior Materials Holdings, LLC) with the Edw. C. Levy Co., which operates in Michigan. Under the contribution agreement, we contributed substantially all of our ready-mixed concrete and concrete-related products assets, except our quarry assets and working capital, in Michigan, in exchange for a 60% ownership interest, while the Edw. C. Levy Co. contributed its Michigan ready-mixed concrete and related concrete products assets, its 24,000-ton cement terminal and $1.0 million for a 40% ownership interest.

Precast Concrete Products Segment

Pomeroy Precast. In August 2008, we paid $2.5 million to acquire a precast operation to augment our existing precast operations in San Diego, California. We used borrowings under our existing credit facility to fund the payment of the purchase price.

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

Divestitures

In the fourth quarter of 2007, we began to implement our strategy of exiting markets that do not meet our performance and return criteria or fit our long-term strategic objectives. We sold our Knoxville, Tennessee and Wyoming, Delaware operations in November 2007 for $16.5 million, plus certain adjustments for working capital. In addition, we sold our Memphis, Tennessee operations for $7.2 million, plus the payment for certain inventory on hand at closing, on January 31, 2008 (see Note 3 to our Consolidated Financial Statements included in this report). These operations have been aggregated and presented in our accompanying Consolidated Financial Statements as "discontinued operations."

Risks and Uncertainties

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

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

During the second half of 2007, we began a process to select a new enterprise resource planning solution to provide for enhanced control, business efficiency and effectiveness, more timely and consistent reporting of both operational and financial data, and provide a platform to more adequately support our long-term growth plans. In the fourth quarter of 2007, a plan of implementation was approved which included a phased implementation across our regions, which has been substantially completed. Delays or system problems or failures related to the finalization of this implementation could adversely affect our financial reporting.

Accounting Rules and Regulations. We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). A change in these policies can have a significant effect on our reported results and may even retroactively affect previously reported transactions. Our accounting policies that recently have been or may be affected by changes in the accounting rules are as follows:

- accounting for income taxes; and
- accounting for business combinations and related goodwill.

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

Critical Accounting Policies and Estimates

Preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to our Consolidated Financial Statements included in this report describes the significant accounting policies we use in preparing those statements. We believe the most complex and sensitive judgments, because of their significance to our financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. The most significant areas involving our management's judgments and estimates are described below. Actual results in these areas could differ from our estimates.

Allowance for Doubtful Accounts

We extend credit to customers and other parties in the normal course of business. We regularly review outstanding receivables and provide for estimated losses on accounts receivable we believe we may not collect in full. A provision for bad debt expense recorded to selling, general and administrative expenses increases the allowance, and accounts receivable that we write off our books decrease the allowance. We determine the amount of bad debt expense we record each period and assess the resulting adequacy of the allowance at the end of each period by using a combination of our historical loss experience, customer-by-customer analyses of our accounts receivable balances each period and subjective assessments of our bad debt exposure. Our allowance for doubtful accounts was $3.3 million as of December 31, 2008 and $3.1 million as of December 31, 2007.

Goodwill

We record as goodwill the amount by which the total purchase price we pay in our acquisition transactions exceeds our estimated fair value of the identifiable net assets we acquire. We test goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. We generally test for goodwill impairment in the fourth quarter of each year, because this period gives us the best visibility of the reporting units' operating performances for the current year (seasonally, April through October are highest revenue and production months) and outlook for the upcoming year, since much of our customer base is finalizing operating and capital budgets. The impairment test we use consists of comparing our estimates of the current fair values of our reporting units with their carrying amounts. We currently have seven reporting units. Reporting units are organized based on our two product segments ((1) ready-mix concrete and concrete related products and (2) precast concrete products) and geographic regions.

In 2008, macro economic factors including the unprecedented and continuing credit crisis, the U.S. recession, the escalating unemployment rate and the severe downturn in the U.S. construction markets, had a significant impact on the valuation metrics used in determining the long-term value of our reporting units. In particular, the cost of capital has increased substantially, while the availability of funds from capital markets has diminished significantly. Lack of available capital also impacts our end-use customers by causing project delays or cancellations, thereby impacting our revenue and growth assumptions. The continued downturn in residential construction has expanded into the commercial and public works sectors of our revenue base. The higher cost of capital combined with a negative outlook for product sales growth in all of our regions has resulted in lower sales volumes and more competition for construction projects, thereby reducing expected future cash flows. The October 2008 cement consumption forecast for 2009 through 2013 indicated further deterioration in cement consumption. In light of this, coupled with the slowdown in construction activity, persistently challenging interest rates and credit environments and our depressed stock price in October 2008, we recorded an impairment charge in the fourth quarter of 2008. These specific negative factors, combined with (i) lower enterprise values resulting from lower multiples of sales and EBITDA comparables, and (ii) the lack of recent third party transactions due to depressed macro economic conditions, resulted in a goodwill impairment expense of $135.3 million for 2008.

In 2007, we recorded goodwill impairments of $81.9 million relating to our Michigan, South Central and our Northern California Precast reporting units. Our Michigan reporting unit's economic outlook continued to soften at greater levels throughout 2007, resulting in lower projected cash flow. Our South Central reporting unit's outlook deteriorated, resulting in lower projected cash flow and continued competitive pressures and limited our future profitability expectations. Our Northern California Precast reporting unit was significantly impacted by the continued slowdown in residential housing construction, which impacted our projected future cash flows. These specific negative factors in the above mentioned reporting units, combined with lower enterprise values and sales transaction values for participants in our industry, resulted in the goodwill impairment expense.

In 2006, we recorded a $38.8 million goodwill impairment associated with our Michigan operations, which resulted from the continued slowdown and negative economic outlook regarding construction activities for the Michigan region throughout 2006. This negative outlook resulted in lower selling volumes, lower product pricing and more competition for construction projects, thereby reducing our outlook for expected future cash flows. Specifically, the downturn in the U.S. automotive manufacturing industry, primarily based in the greater Detroit market, combined with the slowdown in residential, commercial and public works projects resulted in lower sales volumes and product selling price pressures in an already highly competitive ready-mixed concrete market. These changes resulted in a significantly lower estimated fair value.

Our fair value analysis is supported by a weighting of three generally accepted valuation approaches.

These valuation methods include the following:

- Income Approach - discounted cash flows of future benefit streams;
- Market Approach - public comparable company multiples of sales and earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA"); and
- Market Approach - multiples generated from recent transactions comparable in size, nature and industry.

These approaches include numerous assumptions with respect to future circumstances, such as industry and/or local market conditions that might directly impact each of the reporting units operations in the future, and are, therefore uncertain. These approaches are utilized to develop a range of fair values and a weighted average of these approaches is utilized to determine the best fair value estimate within that range.

Income Approach - Discounted Cash Flows. This valuation approach derives a present value of the reporting unit's projected future annual cash flows over the next 15 years and the present residual value of the reporting unit. We use a variety of underlying assumptions to estimate these future cash flows, including assumptions relating to future economic market conditions, product pricing, sales volumes, costs and expenses and capital expenditures. These assumptions vary by each reporting unit depending on regional market conditions, including competitive position, degree of vertical integration, supply and demand for raw materials and other industry conditions. The discount rate used in the Income Approach, specifically, the weighted average cost of capital, used in our analysis for 2008, 2007 and 2006 was 14.0%, 8.9% and 11.0%, respectively. Our increased cost of capital assumption for 2008 reflects the current credit crisis which negatively affects the ability to borrow cost effectively. The revenue compounded annual growth rates used in the Income Approach for 2008, 2007 and 2006 varied from -0.1% to 3.6%, depending on the reporting unit and the year. Our EBITDA margins derived from these underlying assumptions varied between approximately 4% and 21% for 2006 and 3% to 20% for 2007, depending on the reporting unit. For 2008, our EBITDA margins varied between approximately 3% and 22%, depending on the reporting unit.

Market Approach - Multiples of Sales and EBITDA. This valuation approach utilizes publicly traded construction materials companies' enterprise values, as compared to their recent sales and EBITDA information. For 2008, we used an average sales multiple of 0.48 times and an average EBITDA multiple of 5.29 times in determining this market approach metric. For 2007, we used an average sales multiple of 0.57 times and an average EBITDA multiple of 5.90 times. For 2006, we used an average sales multiple of 1.03 times and an average EBITDA multiple of 6.90 times. These multiples are used as a valuation metric to our most recent financial performance. We use sales as an indicator of demand for our products/services and EBITDA because it is a widely used key indicator of the cash generating capacity of construction material companies.

Market Approach - Comparisons of Recent Transactions. This valuation approach uses publicly available information regarding recent third-party sales transactions in our industry to derive a valuation metric of the target's respective enterprise values over their EBITDA amounts. For 2008, we did not weigh this market approach because current economic conditions yielded no recent transactions to derive an appropriate valuation metric. For 2007 and 2006, we utilized an average third-party sales transaction multiple of 6.60 and 7.54 times EBITDA, respectively, for this market-approach metric. We utilize this valuation metric with each of our reporting units' most recent financial performance to derive a "what if" sales transaction comparable, fair-value estimate.

We selected these valuation approaches because we believe the combination of these approaches and our best judgment regarding underlying assumptions and estimates provides us with the best estimate of fair value for each of our reporting units. We believe these valuation approaches are proven valuation techniques and methodologies for the construction materials industry and widely accepted by investors. The estimated fair value of each reporting unit would change if our weighting assumptions under the three valuation approaches were materially modified. For the year ended December 31, 2008, we weighted the Income Approach 45% and the Market Approaches multiples of sales and EBITDA 55%. No weighting was used in 2008 for the Market Approach – Recent Transactions as described above. In 2008, we placed a higher emphasis and weighting on the Market Approach - Multiples of Sales and EBITDA approach than used in the prior years to reflect fair value in current market conditions. This change in weighting in our view is a better representation of fair value and reflects our consideration of macro-economic factors affecting our industry, uncertainty of future economic conditions and their impact on expected cash flows in each of our reporting units. For the year ended December 31, 2007, we weighted all three valuation approaches equally to determine an estimated fair value of each reporting unit. For the year ended December 31, 2006, we weighted the Income Approach 60% and the two Market Approaches 20% each, respectively.

Detailed below is a table of key underlying assumptions for all reporting units utilized in the fair value estimate calculation for the years ended December 31, 2008, December 31, 2007 and December 31, 2006.

	2008	2007	2006
Income Approach - Discounted Cash Flows			
Revenue Growth Rates	(0.1%) to 3.0%	(0.1)% to 2.2%	1.1% to 3.6%
Weighted Average Cost of Capital	14.0%	8.9%	11.0%
Terminal Value Rate	3.0%	3.0%	7.7X
EBITDA Margin Rate	3% to 22%	3% to 20%	4% to 21%
Market Approach - Multiples of Sales & EBITDA			
Sales Multiples Used	0.48	0.57	1.03
EBITDA Multiples Used	5.29	5.90	6.90
Market Approach - Comparison of Recent Transactions			
EBITDA Multiples Used	N/A	6.60	7.54

In our Income Approach calculations in 2008 and 2007, we used the Gordon Growth Model which takes into account the value of the business as a going concern using a long-term sustainable growth rate. In our Income Approach calculations for 2006, we used the EBITDA Multiples Model to determine the terminal value. This is a change from 2006 where we used exit multiples for our terminal value calculations. Given the macro-economic changes and difficulty in estimating exit multiples that might change over time, it is our view that a Gordon Growth Model is a better indicator of the long-term value of each of our reporting units.

Our valuation model utilizes assumptions which represent our best estimate of future events, but would be sensitive to positive or negative changes in each of the underlying assumptions as well as to an alternative weighting of valuation methods which would result in a potentially higher or lower goodwill impairment expense. Specifically, a continued decline in our ready-mixed concrete volumes and corresponding revenues and lower precast product revenues declining at rates greater than our expectations may lead to additional goodwill impairment charges, especially to the reporting units whose carrying values closely approximate their estimated fair values. Furthermore, a continued decline in publicly traded construction materials enterprise values, including lower operating margins and lower multiples used in third-party sales transactions and continued global-financial credit conditions may also lead to additional goodwill impairment charges. The reporting units whose estimated fair values closely approximate their carrying values are our South Central Region, our Northern California Region, and our Atlantic Precast Region. The remaining four reporting units do not have goodwill reflected as an asset on their balance sheets, as we have fully impaired the assets in 2008 and prior years.

The table below details the reporting units whose estimated fair values approximate their carrying values, including the amount of goodwill allocated to such reporting units as of December 31, 2008.

Reporting Unit	Carrying Value	Estimated Fair Value (in millions)	Goodwill Allocated
South Central Region	$ 137.1	$ 137.1	$ 4.0
Atlantic Precast Region	16.4	18.9	10.1
Northern California Region	97.9	97.9	45.1

We can provide no assurance that future goodwill impairments will not occur. Our goodwill balance was $59.2 million as of December 31, 2008, $185.0 million at December 31, 2007 and $251.5 million at December 31, 2006. See Note 2 to our Consolidated Financial Statements included in this report for additional information about our goodwill.

Insurance Programs

We maintain third-party insurance coverage in amounts and against the risks we believe are reasonable. We share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. From 2005 forward, we believe our workers' compensation, automobile and general liability per occurrence retentions were consistent with industry practices, although there are variations among our business units. We fund these deductibles and record an expense for losses we expect under the programs. We determine the expected losses using a combination of our historical loss experience and subjective assessments of our future loss exposure. The estimated losses are subject to uncertainty from various sources, including changes in claims reporting and settlement patterns, judicial decisions, new legislation and economic conditions. Although we believe the estimated losses are reasonable, significant differences related to the items we have noted above could materially affect our insurance obligations and future expense. The amount accrued for self-insurance claims was $12.6 million as of December 31, 2008, compared to $12.3 million as of December 31, 2007, which is currently classified in accrued liabilities.

Income Taxes

We use the liability method of accounting for income taxes. Under this method, we record deferred income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities and use enacted tax rates and laws that we expect will be in effect when we recover those assets or settle those liabilities, as the case may be, to measure those taxes. We believe our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits. In cases where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, we provide for a valuation allowance.

We have deferred tax assets, resulting from deductible temporary differences that may reduce taxable income in future periods. A valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax-planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets can be impacted by changes in tax laws, changes in statutory tax rates and future taxable income levels. If we were to determine that we would not be able to realize all or a portion of our deferred tax assets in the future, we would reduce such amounts through a charge to income in the period in which that determination is made. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through an increase to income in the period in which that determination is made. Based on the assessment, we recorded a valuation allowance of $0.2 million at December 31, 2008 and no valuation allowance at December 31, 2007. In determining the valuation allowance in 2008, we used such factors as (i) we generated federal taxable income in 2006 and 2007, (ii) we have significant deferred tax liabilities that we generally expect to reverse in the same period and jurisdiction and is on the same character as the temporary differences, giving rise to our deferred tax assets and (iii) we have certain tax contingencies under Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, Accounting for Income Taxes," which, should they materialize, would be offset by our net operating loss generated in 2008. We provided a valuation allowance in 2008 related to certain state income tax attributes we did not believe we could utilize within the state tax carryforward periods.

In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the highest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. See Notes 1 and 11 to the Consolidated Financial Statements for further discussion.

Inventory Obsolescence

We provide reserves for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated net realizable values using assumptions about future demand for those products and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required.

Property, Plant and Equipment, Net

We state our property, plant and equipment at cost and use the straight-line method to compute depreciation of these assets over their estimated remaining useful lives. Our estimates of those lives may be affected by such factors as changing market conditions, technological advances in our industry or changes in applicable regulations. In addition, we use estimates of salvage values for certain plant and equipment to reduce the cost which is subject to depreciation.

We evaluate the recoverability of our property, plant and equipment when changes in circumstances indicate that the carrying amount of the asset may not be recoverable in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." We compare the carrying values of long-lived assets to our projection of future undiscounted cash flows attributable to those assets. If the carrying value of a long-lived asset exceeds the future undiscounted cash flows we project to be derived from that asset, we record an impairment loss equal to the excess of the carrying value over the fair value. Actual useful lives and future cash flows could be different from those we estimate. These differences could have a material effect on our future operating results.

Other

We record accruals for legal and other contingencies when estimated future expenditures associated with those contingencies become probable and the amounts can be reasonably estimated. However, new information may become available, or circumstances (such as applicable laws and regulations) may change, thereby resulting in an increase or decrease in the amount required to be accrued for such matters (and, therefore, a decrease or increase in reported net income in the period of such change).

Recent Accounting Pronouncements

For a discussion of recently adopted accounting standards, see Note 1 to our Consolidated Financial Statements included in this report.

Results of Operations

The following table sets forth selected historical statement of operations information and that information as a percentage of total revenue for the years indicated.

	Year Ended December 31					
	2008		2007		2006	
	(amounts in thousands, except selling prices)					
Revenue:						
Ready-mixed concrete and concrete-related products	$ 702,525	93.1	$ 745,384	92.7	$ 655,724	90.0
Precast concrete products	68,082	9.0	73,300	9.1	80,915	11.1
Inter-segment revenue	(16,309)	(2.1)	(14,881)	(1.8)	(8,129)	(1.1)
Total revenue	$ 754,298	100%	$ 803,803	100%	$ 728,510	100%
Cost of goods sold before depreciation, depletion and amortization:						
Ready-mixed concrete and concrete-related products	$ 586,088	77.7	$ 608,043	75.6	$ 534,571	73.4
Precast concrete products	53,360	7.1	55,589	6.9	59,589	8.2
Goodwill and other asset impairments	135,631	18.0	82,242	10.2	38,948	5.3
Selling, general and administrative expenses	79,768	10.6	69,669	8.7	61,397	8.4
Depreciation, depletion and amortization	29,902	3.9	28,882	3.6	20,141	2.9
Income (loss) from operations	(130,451)	(17.3)	(40,622)	(5.0)	13,864	1.9
Interest expense, net	27,056	3.6	27,978	3.5	21,588	2.9
Other income, net	1,984	0.3	3,587	0.4	1,769	0.2
Loss before income tax provision (benefit) and minority interest	(155,523)	(20.6)	(65,013)	(8.1)	(5,955)	(0.8)
Income tax provision (benefit)	(19,601)	(2.6)	48	0.0	1,348	0.2
Minority interest in consolidated subsidiary	(3,625)	(0.5)	(1,301)	(0.2)	—	—
Loss from continuing operations	(132,297)	(17.5)	(63,760)	(7.9)	(7,303)	(1.0)
Loss from discontinued operations, net of tax	(149)	(0.1)	(5,241)	(0.7)	(787)	(0.1)
Net loss	$ (132,446)	(17.6)%	$ (69,001)	(8.6)%	$ (8,090)	(1.1)%
Ready-mixed Concrete Data:						
Average selling price per cubic yard	$ 94.22		$ 91.70		$ 88.23	
Sales volume in cubic yards	6,517		7,176		6,679	
Precast Concrete Data:						
	$ 842.0		$ 605.8		$ 594.9	

Average selling price per cubic yard of concrete used in production			
Ready-mixed concrete used in production in cubic yards	81	121	136

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenue.

Ready-mixed concrete and concrete-related products. Sales of ready-mixed concrete and concrete-related products decreased $42.9 million, or 5.8%, from $745.4 million in 2007 to $702.5 million in 2008. Our ready-mixed sales volume for 2008 was approximately 6.5 million cubic yards, down 9.2% from the 7.2 million cubic yards of concrete we sold in 2007. Excluding the volumes associated with acquired operations, on a same-plant-sales basis, our 2008 ready-mixed volumes were down approximately 12.1% from 2007. The decline reflected the continuing downturn in residential home construction activity that began in the second half of 2006 in all our markets and the downturn in commercial construction and public works spending due to the ongoing credit crisis and the economic recession in the United States. Partially offsetting the effects of lower sales volumes was the approximate 2.7% rise in the average sales price per cubic yard of ready-mixed concrete during 2008, as compared to 2007.

Precast concrete products. Sales in our precast concrete products segment were down $5.2 million, or 7.1%, from $73.3 million in 2007 to $68.1 million in 2008. This decrease reflected a $20.0 million, or 36.0%, drop in revenue resulting from the downturn in residential construction in our northern California and Phoenix, Arizona markets. We continued the process of refocusing our product lines and streamlining our operations in these markets to better serve existing demand and penetrate additional end-use markets. Such streamlining resulted in the closure of one northern California facility at a cost of $.7 million. This decrease was partially offset by higher revenue in 2008 from the acquisition of API completed in October 2007. The mix of product sales from this unit resulted in a higher average selling price for our precast group in 2008.

Cost of goods sold before depreciation, depletion and amortization.

Ready-mixed concrete and concrete-related products. Cost of goods sold before depreciation, depletion and amortization for our ready-mixed concrete and concrete-related products segment decreased $22.0 million, or 3.6%, from $608.0 million in 2007 to $586.1 million in 2008. The decrease was primarily associated with lower sales volume and higher delivery costs primarily related to higher diesel fuel prices. Cost of goods sold before depreciation, depletion and amortization, as a percentage of ready-mixed concrete and concrete-related product sales of 83.4% for 2008 was higher as compared to the 2007 periods, reflecting higher raw material and fuel costs, higher per unit delivery costs, partially offset by higher average selling prices.

Precast concrete products. The reduction in cost of goods sold before depreciation, depletion and amortization for our precast concrete products segment of $2.2 million, or 4.0%, from $55.6 million in 2007 to $53.4 million in 2008, was primarily related to a reduction in the volume of ready-mixed concrete used in production, which is reflective of the declining residential construction market that has been impacting our northern California and Phoenix, Arizona precast markets. As a percentage of precast concrete revenue, cost of goods sold before depreciation, depletion and amortization for precast concrete products rose from 75.8% in 2007 to 78.4% in 2008 reflecting decreased efficiency in our plant operations in California and Phoenix, Arizona, resulting from lower demand for our primarily residential product offerings in these markets.

Goodwill and other asset impairments Goodwill impairment expense was $135.3 million in 2008 compared to $81.9 million in 2007. In 2008, macro-economic factors including the unprecedented and continuing credit crisis, the U.S. recession, the escalating unemployment rate and specifically the severe downturn in the U.S. construction markets, had a significant impact on the valuation metrics used in determining the long-term value of our reporting units. In particular, the cost of capital increased substantially, while the availability of funds from capital markets diminished significantly. Lack of available capital also impacted our end-use customers by creating project delays or cancellations, thereby impacting our revenue and growth assumptions. The continued downturn in residential construction expanded into the commercial sector and public works sector of our revenue base. The higher cost of capital combined with a negative outlook for product sales growth in all of our regions resulted in lower sales volumes and more competition for construction projects, thereby reducing expected future cash flows. These specific negative factors, combined with (i) lower enterprise values resulting from lower multiples of sales and EBITDA comparables, and (ii) the lack of recent third-party transactions due to depressed macro economic conditions, resulted in the $135.3 million goodwill impairment expense for 2008. Specifically, we recorded goodwill impairment expense in five of our six reporting units that reflected goodwill as an asset on their balance sheet, and fully wrote off goodwill in our Atlantic Region reporting unit, our Northern California Precast reporting unit and our Southwest Precast reporting units. We substantially impaired our goodwill in our South Central reporting unit from $58.4 million at the end of 2007 to only $4.0 million of goodwill remaining as an asset at December 31, 2008. Our remaining goodwill as of December 31, 2008, primarily relates to our Northern California ready-mixed concrete reporting unit and our Atlantic Precast reporting unit. We have reduced our workforce, our fleet size and our overhead costs and have temporarily idled certain plants in each of our reporting units in light of these economic conditions.

In 2007, we recorded an aggregate goodwill impairment expense of $81.9 million relating to our Michigan, South Central and our Northern California Precast reporting units. Specifically, we recorded a $4.9 million goodwill impairment expense related to our Michigan reporting unit resulting in no remaining goodwill allocated to this region on our balance sheet as of December 31, 2007. The Michigan reporting unit's economic outlook continued to soften at greater levels throughout 2007, resulting in lower projected cash flows and a lower resulting estimated fair value. Our forecasted annual revenue growth rate declined from 3.6% in 2006 to 2.2% in 2007 and our forecasted EBITDA margin declined approximately 200 basis points per year in our projected outlook period. We expect our Michigan reporting unit to continue to operate at depressed operating levels due to these economic conditions for the next several years. We have reduced our workforce, our fleet size and our overhead costs in light of these economic conditions.

Regarding our South Central reporting unit, we recorded $67.7 million in goodwill impairment expense in 2007. Our South Central reporting unit's outlook deteriorated primarily in the Dallas / Fort Worth metroplex during 2007, resulting in lower projected cash flow and continued competitive pressures and limiting our future profitability expectations, primarily product pricing improvements. Specifically, residential housing, our primary end-use market in the Dallas / Ft. Worth market, declined at greater rates than originally expected. The Dallas / Ft. Worth market is highly competitive and with a declining sales volume environment, it was increasingly difficult to improve product selling prices and operating margins significantly. On a same-plant-sales basis, ready-mixed volumes declined 21.9% in 2007 as compared to 2006, resulting in significantly lower profitability and cash flow. The culmination of these factors, including our outlook in other end-use markets (commercial and public works), led to a significantly lower sales volumes, lower expected product pricing and lower expected profits and, thus, a lower estimated fair value. The events reduced our assumptions, with EBITDA margins declining to between 100 and 360 basis points over the outlook period. We expect our South Central reporting unit to generate positive earnings and operating cash flow, albeit at reduced operating levels than previously expected. We have reduced our workforce, our fleet size and our overhead costs in light of these economic conditions.

Regarding our Northern California Precast reporting unit, we recorded a $9.1 million goodwill impairment expense in 2007. Our Northern California Precast reporting unit was significantly impacted by the continued slowdown in residential housing construction, which impacted our projected future cash flows. Specifically, the end-use market in this region is almost exclusively tied to the residential housing market. Residential housing declined steeply in northern California throughout 2007 and resulted in a decrease in revenue of 16.4% compared to 2006 and a decrease in operating profits of 70.2% in 2007 compared to 2006. The culmination of these factors, including our current inability to penetrate other end-use markets, primarily, the commercial sector, led to a significantly lower estimated fair value. These events reduced our assumptions, with EBITDA margins declining over 500 basis points annually over the outlook period.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $10.1 million, or 14.5%, from $69.7 million in 2007 to $79.8 million in 2008. As a percentage of revenue, selling, general and administrative expenses increased from 8.7% in 2007 to 10.6% in 2008. Selling, general and administrative expenses were higher in 2008, as compared to 2007, primarily due to higher compensation costs, including personnel costs and other administrative expenses from acquired businesses, increased incentive compensation costs, higher professional fees (primarily associated with the implementation of an enterprise resource planning system) and higher litigation accruals.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased $1.0 million, or 3.5%, from $28.9 million in 2007 to $29.9 million in 2008. The increase was attributable primarily to acquisitions and higher depreciation expense related to our new information system technology system, which was placed in service during 2008.

Interest expense, net. Interest expense decreased $1.0 million, or 3.7%, from $28.1 million in 2007 to $27.1 million in 2008. The decrease was attributable primarily to lower borrowings during 2008 under our senior secured credit facility.

Minority interest in consolidated subsidiary. Minority interest of $(3.6) million and $(1.3) million recorded in 2008 and 2007, respectively, related to the allocable share of net loss from our Michigan joint venture to our minority partner. The Michigan joint venture was formed on April 1, 2007. The increase in minority interest losses in 2008, as compared to 2007, related to increased losses from our Michigan operations due to the continued slowdown in economic construction activity, resulting in lower sales volumes and increased losses from that business unit.

Income tax provision (benefit). We recorded a benefit for income taxes of $19.6 million in 2008 and a provision for income taxes of $0.1 million in 2007. Our estimated annualized effective tax rate was 12.6% for the full year ended December 31, 2008 and nil for the full year ended December 31, 2007. The effective income tax rate for 2008 and 2007 was lower than the federal statutory rate, primarily due to nondeductible goodwill associated with our goodwill impairments in the fourth quarters of 2008 and 2007, respectively, state income tax expense, the impact of minority interest from our consolidated subsidiary and the recording of a valuation allowance related to certain state tax attributes we did not believe met the realization criteria.

Loss from discontinued operations. In the fourth quarter of 2007, we decided to dispose of three operations. We sold two of those operations prior to December 31, 2007. In January 2008, we sold the remaining operation. Our 2007 results of operations reflected the unit sold in 2008, along with the two operations which were sold prior to year-end 2007, as discontinued operations in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” In 2008, we reported a loss of $0.1 million, net of income taxes, in discontinued operations. In 2007, the discontinued operations generated a pretax loss of approximately $9.1 million and a corresponding tax benefit of $3.9 million.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Revenue.

Ready-mixed concrete and concrete-related products. Sales of ready-mixed concrete and concrete-related products increased $89.7 million, or 13.7%, from $655.7 million in 2006 to $745.4 million in 2007. Our ready-mixed sales volume for 2007 was approximately 7.2 million cubic yards, up 7.4% from the 6.7 million cubic yards of concrete we sold in 2006. Excluding the volumes associated with acquired operations, on a same-plant-sales basis, our 2007 ready-mixed volumes were down approximately 14.9% from 2006. The decline reflects the continuing downturn in residential home construction activity that began in the second half of 2006 in all of our markets and the impact of adverse weather conditions during the spring and summer seasons, especially in our north and west Texas markets. Offsetting the effects of lower sales volumes was the approximate 3.9% rise in the average sales price per cubic yard of ready-mixed concrete during 2007, as compared to 2006, and increased sales of aggregates (including those from the aggregate operations we acquired in the fourth quarter of 2006).

Precast concrete products. Sales in our precast concrete products segment were down $7.6 million, or 9.4%, from $80.9 million in 2006 to $73.3 million in 2007. This decrease reflects an $11.6 million, or 14.4%, drop in revenue resulting from the downturn in residential construction in our California and Phoenix, Arizona markets. The overall lower performance of our precast segment was tempered by sales of $4.0 million generated by the acquisition made in October 2007 in our Atlantic region.

Cost of goods sold before depreciation, depletion and amortization.

Ready-mixed concrete and concrete-related products. Cost of goods sold before depreciation, depletion and amortization for our ready-mixed concrete and concrete-related products segment increased $73.4 million, or 13.7%, from $534.6 million in 2006 to $608.0 million in 2007. The increase was primarily associated with higher sales volume, higher delivery costs and moderately higher raw materials costs in 2007. Cost of goods sold before depreciation, depletion and amortization, as a percentage of ready-mixed concrete and concrete-related product revenue of 81.6% for 2007 was flat as compared to the 2006 periods, reflecting our ability in 2007 to maintain our margins in a period of rising raw materials, labor and fuel costs.

Precast concrete products. The reduction in cost of goods sold before depreciation, depletion and amortization for our precast concrete products segment of $4.0 million, or 6.7%, from $59.6 million in 2006 to $55.6 million in 2007, was primarily related to the 12.0% reduction in the volume of ready-mixed concrete used in production, which is reflective of the declining residential construction arket that has been impacting our California and Phoenix, Arizona precast markets since the second half of 2006. As a percentage of precast concrete revenue, cost of goods sold before depreciation, depletion and amortization for precast concrete products rose from 73.6% in 2006 to 75.8% in 2007, reflecting decreased efficiency in our plant operations in California and Phoenix, Arizona, resulting from lower demand for our primarily residential product offerings in these markets.

Goodwill and other asset impairments. As described above, in 2007, we recorded an aggregate goodwill impairment expense of $81.9 million relating to our Michigan, South Central and our Northern California Precast reporting units. In 2006, we recorded a $38.8 million goodwill impairment associated with our Michigan reporting unit, which resulted from a slowdown and negative economic outlook regarding construction activities for the Michigan reporting unit throughout 2006. This negative outlook resulted in lower selling volumes, lower product pricing and more competition for construction projects, thereby reducing our outlook for expected future cash flows. Specifically, the downturn in the U.S. automotive manufacturing industry, primarily based in the greater Detroit market, combined with the slowdown in residential, commercial and public works projects resulted in lower sales volumes and product selling price pressures in an already highly competitive ready-mixed concrete market. In 2006, our sales volumes on a same-plant-sales basis declined 12%, as compared to 2005, and our EBITDA margin declined 185 basis points. These events were factored into our long-term outlook for the Michigan reporting unit within our valuation model, reducing our assumptions for forecasted annual revenue growth rates from 4.1% in 2005 to 3.6% in 2006 and reducing our assumptions for EBITDA margins between approximately 200 and 400 basis points over the outlook period. These changes resulted in a significantly lower estimated fair value.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $8.3 million, or 13.5%, from $61.4 million in 2006 to $69.7 million in 2007. As a percentage of revenue, selling, general and administrative expenses increased from 8.4% in 2006 to 8.7% in 2007. Selling, general and administrative expenses were higher in 2007, as compared to 2006, primarily due to higher compensation costs, including personnel costs and other administrative expenses from acquired businesses, professional fees and the effect of an initiative in the fourth quarter to implement an enterprise resource planning system.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased $8.8 million, or 43.4%, from $20.1 million in 2006 to $28.9 million in 2007. The increase was attributable primarily to the two acquisitions, and the formation of our 60%-owned Michigan subsidiary completed in 2007 and higher capital expenditures in 2006. Also contributing to this increase has been the decision we made in late 2005 to discontinue our practice of leasing a portion of our annual rolling stock requirements. See "– Liquidity and Capital Resources – Future Capital Requirements" for additional discussion of this leasing activity.

Interest expense, net. Interest expense increased $4.9 million, or 21.1%, from $23.2 million in 2006 to $28.1 million in 2007. The increase in interest expense in 2007, as compared to 2006, was attributable primarily to our additional senior subordinated notes offering in July 2006, and additional borrowings during 2007 under our senior secured credit facility to fund our acquisition program. Interest income (as a component of Interest expense, net) decreased $1.5 million from $1.6 million in 2006 to $0.1 million in 2007, due to higher average cash balances in 2006 as compared to 2007, primarily in the first half of the year, resulting from our common stock issuance in February 2006.

Income tax provision. We recorded a provision for income taxes of less than $0.1 million in 2007 and a provision for income taxes of $1.3 million in 2006. Our estimated annualized effective tax rate was nil for the full year ended December 31, 2007 and a negative rate of (22.6%) for the full year ended December 31, 2006. The effective income tax rate for 2007 was lower than the federal statutory rate primarily due to nondeductible goodwill associated with our goodwill impairment in the fourth quarter of 2007, state income taxes, the impact of minority interest from our consolidated subsidiary and settlement of certain tax contingencies.

Liquidity and Capital Resources

Our primary short-term liquidity needs consist of financing seasonal working capital requirements, purchasing property and equipment, acquiring new businesses under our acquisition program and paying cash interest expense under our 8 % senior subordinated notes due in April 2014 and cash interest expense on borrowings under our senior secured revolving credit facility that is scheduled to expire in March 2011. In addition to cash and cash equivalents of $5.3 million at December 31, 2008 and cash from operations, our senior secured revolving credit facility provides us with a significant source of liquidity. At December 31, 2008, we had $91.1 million of available credit, net of outstanding revolving credit borrowings of $11.0 million and outstanding letters of credit of $11.6 million. Our working capital needs are typically at their lowest level in the first quarter and increase in the second and third quarters to fund the increases in accounts receivable and inventories during those periods and the cash interest payment on our senior subordinated notes on April 1 and October 1 of each year. Generally, in the fourth quarter of each year, our working capital borrowings decline and are at their lowest annual levels in the first quarter of the following year. Current market conditions have limited the availability of new sources of financing and capital which will clearly have an impact on our ability to obtain financing for our acquisition program and developmental capital.

The principal factors that could adversely affect the amount of and availability of our internally generated funds include:

§ any deterioration of revenue because of weakness in the markets in which we operate;

§ any decline in gross margins due to shifts in our project mix or increases in the cost of our raw materials;

§ any deterioration in our ability to collect our accounts receivable from customers as a result of further weakening in residential and other construction demand or as a result of payment difficulties experienced by our customers relating to the global financial crisis; and

§ the extent to which we are unable to generate internal growth through integration of additional businesses or capital expansions of our existing business.

The principal factors that could adversely affect our ability to obtain cash from external sources include:

§ covenants contained in the Credit Agreement governing our senior revolving credit facility and the indenture governing our 8 % senior subordinated notes, specifically the Credit Agreement limits capital expenditures (excluding permitted acquisitions) to the greater of $45 million, or 5%, of consolidated revenues in the prior 12 months, and will require us to maintain a minimum fixed-charge coverage ratio of 1.0 to 1.0 on a rolling 12-month basis if the available credit under the facility falls below $25 million. Under our indenture governing our 8 % Senior Subordinated Notes, the restrictions include our ability to incur additional debt primarily limited to the greater of (1) borrowings available under the Credit Agreement, plus the greater of $15 million or 7.5% of our tangible assets, or (2) additional debt if, after giving effect to the incurrence of such additional debt, our earnings before interest, taxes, depreciation, amortization and certain noncash items equal or exceed two times our total interest expense. Based on our December 31, 2008 balance sheet, generally this restriction limits our borrowing availability to approximately $30.0 million, in addition to our borrowings available under our existing Credit Agreement;

· volatility in the markets for corporate debt and any additional market instability, unavailability of credit or inability to access the capital markets which may result from the effect of the global financial crisis; and

§ fluctuations in the market price of our common stock or 8 % senior subordinated notes.

The following key financial measurements reflect our financial position and capital resources as of December 31, 2008, 2007 and 2006 (dollars in thousands):

	2008	2007	2006
Cash and cash equivalents	$ 5,323	$ 14,850	$ 8,804
Working capital	$ 63,484	$ 88,129	$ 82,897
Total debt	$ 305,988	$ 298,500	$ 303,292
Available credit 1	$ 91,100	$ 112,600	$ 82,400
Debt as a percent of capital employed	81.2%	59.3%	53.0%

1) Based on eligible borrowing base, net of outstanding letters of credit and borrowings outstanding under our senior secured revolving credit facility.

Our cash and cash equivalents consist of highly liquid investments in deposits and money market funds we hold at major financial institutions.

The allowance for doubtful accounts in 2008 of $3.1 million was consistent with 2007. As a percentage of total accounts receivable, the allowance was 2.9% in 2007 and 3.0% in 2008. We cannot predict the impact of the current credit crisis and U.S. recession on the ability of our customers to pay in future periods.

Senior Secured Credit Facility

On June 30, 2006, we entered into the Credit Agreement, which amended and restated our senior secured credit agreement dated as of March 12, 2004. The Credit Agreement, as amended to date, provides us with a revolving credit facility of up to $150 million, with borrowings limited based on a portion of the net amounts of eligible accounts receivable, inventory and mixer trucks. The facility is scheduled to mature in March 2011. At December 31, 2008, we had borrowings of $11.0 million under this facility at the lower of an annual interest at the Eurodollar-based rate ("LIBOR") plus 1.75% or the domestic rate of 3.25% plus 0.25%. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility. The Credit Agreement provides that the administrative agent may, on the bases specified, reduce the amount of the available credit from time to time. Additionally, any "material adverse change" of the Company could restrict our ability to borrow under the senior secured credit facility. A material adverse change is defined as a material adverse change in any of (a) the condition (financial or otherwise), business, performance, prospects, operations or properties of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower and the Guarantors, taken as a whole, to perform their respective obligations under the Loan Documents or (c) the rights and remedies of the Administrative Agent, the Lenders or the issuers to enforce the Loan Documents.. At December 31, 2008, the amount of the available credit was approximately $91.1 million, net of outstanding revolving credit borrowings of $11.0 million and outstanding letters of credit of approximately $11.6 million.

Our subsidiaries, excluding our 60%-owned Michigan subsidiary and minor subsidiaries, without operations or material assets, have guaranteed the repayment of all amounts owing under the Credit Agreement. In addition, we collateralized our obligations under the Credit Agreement with the capital stock of our subsidiaries, excluding our 60%-owned Michigan subsidiary and minor subsidiaries without operations or material assets, and substantially all the assets of those subsidiaries, excluding our 60%-owned Michigan subsidiary, most of the assets of the aggregates quarry in northern New Jersey and other real estate owned by us or our subsidiaries. The Credit Agreement contains covenants restricting, among other things, prepayment or redemption of subordinated notes, distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also limits capital expenditures (excluding permitted acquisitions) to the greater of $45 million, or 5%, of consolidated revenues in the prior 12 months, and will require us to maintain a minimum fixed-charge coverage ratio of 1.0 to 1.0 on a rolling 12-month basis if the available credit under the facility falls below $25 million. The Credit Agreement provides that specified change of control events would constitute events of default. As of December 31, 2008, we were in compliance with our financial covenants under the Credit Agreement.

Senior Subordinated Notes

On March 31, 2004, we issued $200 million principal amount of 8 % senior subordinated notes due April 1, 2014. Interest on these notes is payable semi-annually on April 1 and October 1 of each year. We used the net proceeds of this financing to redeem our prior 12% senior subordinated notes and prepay the outstanding debt under our credit facility. In July 2006, we issued $85 million principal amount of additional 8 % senior subordinated notes due April 1, 2014, to fund a portion of the purchase price for the acquisition of Alberta Investments and Alliance Haulers.

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

The indenture governing the notes limits our ability and the ability of our subsidiaries to pay dividends or repurchase common stock, make certain investments, incur additional debt or sell preferred stock, create liens, merge or transfer assets. After March 31, 2009, we may redeem all or a part of the notes at a redemption price of 104.188% in 2009, 102.792% in 2010, 101.396% in 2011 and 100% in 2012 and thereafter. The indenture requires us to offer to repurchase (1) an aggregate principal amount of the subordinated notes equal to the proceeds of certain asset sales that are not reinvested in the business or used to pay senior debt and (2) all the notes following the occurrence of a change of control. The Credit Agreement limits these repurchases.

As a result of restrictions contained in the indenture relating to the 8 % senior subordinated notes, our ability to incur additional debt is primarily limited to the greater of (1) borrowings available under the Credit Agreement, plus the greater of $15 million or 7.5% of our tangible assets, or (2) additional debt if, after giving effect to the incurrence of such additional debt, our earnings before interest, taxes, depreciation, amortization and certain noncash items equal or exceed two times our total interest expense. Based on our December 31, 2008 balance sheet, generally this restriction limits our borrowing availability to approximately $30.0 million, in addition to our borrowings available under our existing Credit Agreement

We made interest payments of approximately $25.5 million in 2008 and $26.7 million in 2007, primarily associated with our senior subordinated notes.

Superior Materials Holdings, LLC Credit Facility

Superior Materials Holdings, LLC has a separate credit agreement that provides for a revolving credit facility. The credit agreement, as amended to date, allows for borrowings of up to $17.5 million. Borrowings under this credit facility are collateralized by substantially all the assets of Superior Materials Holdings, LLC and are scheduled to mature on April 1, 2010. Availability of borrowings is subject to a borrowing base that is determined based on the values of net receivables, certain inventories, certain rolling stock and letters of credit. The credit agreement provides that the lender may, on the bases specified, reduce the amount of the available credit from time to time. As of December 31, 2008, there were $5.1 million in outstanding borrowings under the revolving credit facility, and the remaining amount of the available credit was approximately $5.6 million. Letters of credit outstanding at December 31, 2008 were $1.8 million which reduces the amount available under the credit facility.

Currently, borrowings have an annual interest rate, at Superior Materials Holdings LLC's option, of either, LIBOR plus 4.25% or prime rate plus 2.00%. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility.

The credit agreement contains covenants restricting, among other things, Superior Materials Holdings, LLC's distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also generally limits Superior Materials Holdings, LLC's capital expenditures and requires the subsidiary to maintain compliance with specified financial covenants, including an affirmative covenant which requires earnings before income taxes, interest and depreciation ("EBITDA") to meet certain minimum thresholds quarterly. During the trailing twelve months ended December 31, 2008, the credit agreement required a threshold EBITDA of $(3.3) million. Superior Materials Holdings, LLC reported $(2.8) million of EBITDA, as defined. As of December 31, 2008, Superior Materials Holdings, LLC was in compliance with its financial covenants under the credit agreement.

U.S. Concrete and its 100%-owned subsidiaries are not obligors under the terms of the Superior Materials Holdings, LLC credit agreement. However, in connection with the recent amendment of the revolving credit facility, Superior Materials Holdings, LLC's credit agreement provides that an event of default beyond a 30-day grace period under either U.S. Concrete's or Edw. C. Levy's credit agreement would constitute an event of default. Furthermore, U.S. Concrete agreed to provide or obtain additional equity or subordinated debt capital not to exceed $6.75 million through the term of the revolving credit facility to fund any future cash flow deficits, as defined in the credit agreement, of Superior Materials Holdings, LLC. No additional capital contribution was required under that agreement for the period ended December 31, 2008. Based on Superior Materials Holding, LLC's 2009 financial projections, U.S. Concrete and Edw. C. Levy expect to make capital contributions to Superior Materials Holding, LLC in 2009 pursuant to this credit agreement.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of their short-term maturity and variable rates of interest. The estimated aggregate fair value of our 8 % senior subordinated notes at year-end was approximately $146.1 million in 2008 and $248.8 million in 2007.

Debt Ratings

Our ability to obtain external financing and the related cost of borrowing is affected by our debt ratings, which are periodically reviewed by the major credit rating agencies. Moody's is currently evaluating their rating and outlook. Debt ratings and outlooks as of March 12, 2009 were as follows:

	Rating	Outlook
Moody's		
Senior subordinated notes	B3	Stable
LT corporate family rating	B2	
Standard & Poor's		
Senior subordinated notes	CCC+	Negative
Corporate credit	B-	

These debt ratings are not recommendations to buy, sell or hold our securities, and they may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

Future Capital Requirements

For 2009, our capital expenditures are expected to be in the range of $10 million to $15 million, including maintenance capital, developmental capital, rolling stock mixer/barrel replacement, costs associated with our enterprise resource planning systems implementation and certain plant relocation costs. In prior years, we leased a higher percentage of our mixer trucks and other rolling stock under operating leases due to lower long-term interest rates and our inability to recover the associated tax benefits in those years. In 2007 and 2008, we purchased a greater percentage of this equipment, primarily as a result of our ability to recover the associated tax benefits. Based on 2008 tax losses and expected 2009 tax losses, we may lease certain equipment in 2009, depending on terms and credit availability.

We anticipate that our existing cash balance of $5.3 million and our borrowing capacity of $91.1 million at December 31, 2008 under our credit arrangement and cash flow from operations will provide adequate liquidity for fiscal year 2009 to pay for all current obligations, including capital expenditures, debt service, lease obligations and working capital requirements. There can be no assurance, however that we will be successful in obtaining sources of capital that will be sufficient to support our requirements over the long-term.

If the national and world-wide financial crisis intensifies, potential disruptions in the capital and credit markets may adversely affect us, including by adversely affecting the availability and cost of short-term funds for our liquidity requirements and our ability to meet long-term commitments, which in turn could adversely affect our results of operations, cash flows and financial condition.

We rely on our credit facility to fund short-term liquidity needs if internal funds are not available from our operations. We also use letters of credit issued under our revolving credit facility to support our insurance policies in certain business units. Disruptions in the capital and credit markets could adversely affect our ability to draw on our bank revolving credit facilities. Our access to funds under our credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding commitments. Our banks may not be able to meet their funding commitments to us if such banks experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

Longer-term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed in our operations. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include deferring capital expenditures, as well as reducing or eliminating future share repurchases, bond repurchases or other discretionary uses of cash.

Many of our customers and suppliers also have exposure to risks that their businesses are adversely affected by the worldwide financial crisis and resulting potential disruptions in the capital and credit markets. In the event that any of our significant customers or suppliers, or a significant number of smaller customers and suppliers, are adversely affected by these risks, we may face disruptions in supply, significant reductions in demand for our products and services, inability of our customers to pay invoices when due and other adverse effects that could negatively affect our financial conditions, results of operations or cash flows.

Cash Flow

Our consolidated cash flows for each of the past three years are presented below (in thousands):

Year Ended December 31

	2008	2007	2006
Operating activities	$ 29,678	$ 44,338	$ 39,537
Investing activities	(39,516)	(34,084)	(230,679)
Financing activities	311	(4,208)	176,292
Net cash provided by (used in) operating, investing and financing activities	$ (9,527)	$ 6,046	$ (14,850)

Our net cash provided by operating activities generally reflects the cash effects of transactions and other events used in the determination of net income or loss. Net cash provided by operating activities of $29.7 million in the year ended December 31, 2008 decreased $14.7 million from the net cash provided in the year ended December 31, 2007. The decrease was principally due to lower profitability in 2008, partially offset by improvement in working capital. Net cash provided by operating activities of $44.3 million in the year ended December 31, 2007 increased $4.8 million from the net cash provided in the year ended December 31, 2006. This increase was principally a result of higher receivable collections in 2007, use of working capital and certain liability payments associated with acquired businesses in 2006, which did not occur in 2007.

Our net cash used in investing activities of $39.5 million in the year ended December 31, 2008 increased $5.4 million from the net cash used in investing activities in the year ended December 31, 2007, primarily due to lower proceeds received from our disposition of certain business units in 2008 as compared with 2007, offset by $3.8 million lower capital expenditures, net of disposal proceeds in 2008. Our net cash used in investing activities of $34.1 million in the year ended December 31, 2007 decreased $196.6 million from the net cash used in investing activities in the year ended December 31, 2006, primarily due to significantly fewer acquisitions and $11.2 million lower capital expenditures, net of proceeds, in 2007, offset slightly by the proceeds we received from our disposition of two business units near the end of 2007.

Our net cash provided in financing activities of $0.3 million increased $4.5 million from the net cash used by financing activities of $4.2 million in 2007. The change was primarily attributable to an increase in borrowings under our revolving credit facility of $6.8 million in 2008 as compared to a reduction of borrowings under our revolving credit facility in 2007 of $5.0 million, partially offset by our use of $6.6 million in our share repurchase program. Our cash and cash equivalents, which totaled $14.9 million at December 31, 2007, decreased to $5.3 million at December 31, 2008. Our net cash used in financing activities of $4.2 million decreased $180.5 million from the net cash provided by financing activities of $176.3 million in 2006. The change was primarily attributable to our 2006 issuances of common stock and senior subordinated notes. Our cash and cash equivalents, which totaled $8.8 million at December 31, 2006, increased to $14.9 million at December 31, 2007.

We define free cash flow as net cash provided by operating activities less purchases of property, plant and equipment (net of disposals). Free cash flow is a liquidity measure not prepared in accordance with GAAP. Our management uses free cash flow in managing our business because we consider it to be an important indicator of our ability to service our debt and generate cash for acquisitions and other strategic investments. We believe free cash flow may provide users of our financial information additional meaningful comparisons between current results and results in prior operating periods. As a non-GAAP financial measure, free cash flow should be viewed in addition to, and not as an alternative for, our reported operating results or cash flow from operations or any other measure of performance prepared in accordance with GAAP.

Our historical net cash provided by operating activities and free cash flow is as follows (in thousands):

	Year Ended December 31		
	2008	2007	2006
Net cash provided by operating activities	$ 29,678	$ 44,338	$ 39,537
Less: Purchases of properties and equipment, net of disposals of $4,403, $2,574 and $3,699	(23,380)	(27,145)	(38,232)
Free cash flow	$ 6,298	$ 17,193	$ 1,305

Acquisitions

In November 2008, we paid $2.5 million to acquire a ready-mixed concrete operation in Brooklyn, New York. We used borrowings under our existing credit facility to fund the purchase price.

In August 2008, we paid $2.0 million to acquire a ready-mixed concrete operation in Mount Vernon, New York. We used borrowings under our existing credit facility to fund the purchase price.

In August 2008, we paid $2.5 million to acquire a precast operation to augment our existing precast operations in San Diego, California. We used borrowings under our existing credit facility to fund the purchase price.

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

In January 2008, we acquired a single plant ready-mixed concrete operation in Staten Island, New York. The purchase price was approximately $1.8 million in cash.

In October 2007, we acquired the operating assets, including working capital and real property, of Architectural Precast, LLC (“API”), a leading designer and manufacturer of premium quality architectural and structural precast concrete products serving the Atlantic region, for $14.5 million plus a $1.5 million contingency based on the future earnings of API.

In June 2007, we acquired two ready-mixed concrete plants, including real property and certain raw material inventories, in our west Texas market for approximately $3.6 million.

In April 2007, we formed a joint venture (Superior Materials Holdings, LLC), with the Edw. C. Levy Co., which operates in Michigan. Under the contribution agreement, we contributed substantially all of our ready-mixed concrete and concrete-related products assets, except our quarry assets and working capital, in Michigan in exchange for a 60% ownership interest, while the Edw. C. Levy Co. contributed all of its Michigan ready-mixed concrete and related concrete products assets, its 24,000 ton cement terminal and $1.0 million for a 40% ownership interest. The 60%-owned Michigan subsidiary currently owns and operates 26 ready-mixed concrete plants, one portable plant, one concrete block plant, a 24,000-ton cement terminal and approximately 303 ready-mixed concrete trucks.

In November 2006, we acquired a small ready-mixed concrete operation and sand and gravel quarry in Breckenridge, Texas. We paid $3.0 million in cash and effectively assumed approximately $0.4 million in interest-bearing debt.

In October 2006, we acquired certain aggregates assets located in New Jersey from Pinnacle Materials, Inc. for $12.5 million in cash. The assets consist of a granite quarry with approximately 15.6 million tons of reserves and an estimated useful life of 20 years, and a natural sand pit with approximately 9.1 million tons of reserves and an estimated 10-year life.

In July 2006, we acquired all of the outstanding equity interests in Alberta Investments, Inc. and Alliance Haulers, Inc. for $165.0 million, subject to specified adjustments. At the time of the acquisition, Alberta Investments conducted the substantial majority of its business through two subsidiaries: Redi-Mix, L.P. and Ingram Enterprises, L.P. Redi-Mix operated 13 ready-mixed concrete plants in the Dallas/Fort Worth Metroplex and in areas north of the Metroplex. Ingram Enterprises operated 17 ready-mixed concrete plants and three sand and gravel plants in west Texas. Alliance Haulers provided cement and aggregates hauling services with a fleet of approximately 260 hauling trucks owned by Redi-Mix and third-party haulers in the markets covered by Redi-Mix and Ingram.

In June 2006, we acquired the operating assets, including real property, of Olson Precast Company used in the production of precast concrete products in northern California for approximately $4.8 million in cash.

In April 2006, we acquired the operating assets of Pre-Cast Mfg., Inc. in our existing Phoenix market area for approximately $5.0 million in cash.

In April 2006, we acquired Kurtz Gravel Company, which produced ready-mixed concrete from six plants and mined aggregates from a quarry, all located in or near our existing metropolitan Detroit market area, for approximately $13.0 million in cash. We also assumed certain capital lease liabilities with a net present value of $1.5 million.

Since our inception, cash has been the primary component in the consideration we have paid to acquire businesses. We expect that cash will be a significant, if not the principal, element in acquisitions we might make in the foreseeable future.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. From time to time, we may enter into noncancelable operating leases that would not be reflected on our balance sheet. For additional discussion on our operating leases, see Note 14 to our Consolidated Financial Statements in this report.

Commitments

The following are our contractual commitments associated with our indebtedness and our lease obligations as of December 31, 2008 (in millions):

Contractual obligations	Total	Less Than 1 year	1-3 years	4-5 years	After 5 years
Principal on debt	$ 305.6	$ 3.1	$ 18.5	$ —	$ 284.0
Interest on debt (1)	131.2	23.9	47.7	47.7	11.9
Capital leases	0.4	0.3	0.1	—	—
Operating leases	37.4	9.0	12.7	9.3	6.4
Total	$ 474.6	$ 36.3	$ 79.0	$ 57.0	$ 302.3

(1) Interest payments due under our 8 % senior subordinated notes.

The following are our commercial commitment expirations as of December 31, 2008 (in millions):

Other commercial commitments		Total		Less Than 1 year		1-3 years		4-5 years		After 5 years
Standby letters of credit	$	13.4	$	6.8	$	6.6	$	—	$	—
Purchase obligations		—		—		—		—		—
Performance bonds		32.3		31.5		0.8		—		—
Total	$	45.7	$	38.3	$	7.4	$	—	$	—

The following long-term liabilities included on the consolidated balance sheet are excluded from the table above: accrued employment costs, income tax contingencies, minority interest, insurance accruals and other accruals. Due to the nature of these accruals, the estimated timing of such payments (or contributions in the case of certain accrued employment costs) for these items is not predictable. As of December 31, 2008, the total unrecognized tax benefit related to uncertain tax positions was $6.8 million. We estimate that none of this will be paid within the next twelve months.

Share Repurchase Plan

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

Other

We periodically evaluate our liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, our dividend policy, our debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, in the past we have sought, and in the future we may seek, to reduce, refinance, repurchase or restructure indebtedness; raise additional capital; issue additional securities; repurchase shares of our common stock; modify our dividend policy; restructure ownership interests; sell interests in subsidiaries or other assets; or take a combination of such steps or other steps to manage our liquidity and capital resources. In the normal course of our business, we may review opportunities for the acquisition, divestiture, joint venture or other business combinations in the ready-mixed concrete or related businesses. In the event of any acquisition, business combinations or joint venture transaction, we may consider using available cash, issuing equity securities or increasing our indebtedness to the extent permitted by the agreements governing our existing debt. See Note 9 to our Consolidated Financial Statements included in Item 8 of this report.

Inflation

Cement, aggregates and diesel fuel prices have generally risen faster than regional inflationary rates over the past three years. The impact of these price increases was partially mitigated by price increases we have obtained for our products. In 2007 and 2008, prices for our products increased at a rate similar to, or greater than, the rate of increase in our raw materials costs. During 2007 and the first nine months of 2008, diesel fuel prices increased at rates greater than the price increases we obtained for our products which negatively impacted our profitability. During the fourth quarter of 2008, diesel fuel prices declined substantially.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We do not enter into derivatives or other financial instruments for trading or speculative purposes, but we may utilize them to manage our fixed-to-variable-rate debt ratio. All derivatives, whether designated as hedging relationships or not, are required to be recorded on the balance sheet at fair value. Because of the short duration of our investments, changes in market interest rates would not have a significant impact on their fair values. At December 31, 2008 and 2007, we were not a party to any derivative financial instruments.

The indebtedness evidenced by our 8 % senior subordinated notes is fixed-rate debt, so we are not exposed to cash-flow risk from market interest rate changes on these notes. The fair value of that debt will vary as interest rates change.

Borrowings under our Credit Agreement and our Superior Materials Holdings, LLC separate credit agreement expose us to certain market risks. Interest on amounts drawn under the credit facilities varies based on either, the prime rate or one-, two-, three- or six-month Eurodollar rates. Based on the $16.1 million outstanding under these facilities as of December 31, 2008, a one percent change in the applicable rate would not materially change the amount of interest expense for 2008.

We purchase commodities, such as cement, aggregates and diesel fuel, at market prices and do not currently use financial instruments to hedge commodity prices.

Our operations are subject to factors affecting the overall strength of the U.S. economy and economic conditions impacting financial institutions, including the level of interest rates, availability of funds for construction, and the level of general construction activity. A significant decrease in the level of general construction activity in any of our market areas may have a material adverse effect on our consolidated revenues and earnings.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of U.S. Concrete, Inc. and its subsidiaries (the "Company") at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control over Financial Reporting" appearing under Item 9A of this Form 10-K. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for uncertainty in income taxes in 2007 and stripping costs and share-based compensation in 2006.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Houston, TX
March 12, 2009

U.S. CONCRETE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, including share amounts)

	December 31 2008	December 31 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,323	$ 14,850
Trade accounts receivable, net	100,269	102,612
Inventories	32,768	32,557
Deferred income taxes	11,576	10,937
Prepaid expenses	3,519	5,256
Other current assets	13,801	11,387
Assets held for sale	—	7,273
Total current assets	167,256	184,872
Property, plant and equipment, net	272,769	267,010
Goodwill	59,197	184,999
Other assets	8,588	10,375
Total assets	$ 507,810	$ 647,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 3,371	$ 3,172
Accounts payable	45,920	48,160
Accrued liabilities	54,481	45,411
Total current liabilities	103,772	96,743
Long-term debt, net of current maturities	302,617	295,328
Other long-term obligations and deferred credits	8,522	9,125
Deferred income taxes	12,536	26,763
Total liabilities	427,447	427,959
Commitments and contingencies (Note 14)		
Minority interest in consolidated subsidiary (Note 4)	10,567	14,192
Stockholders' equity:		
Preferred stock, $0.001 par value per share (10,000 shares authorized; none issued)	—	—
Common stock, $0.001 par value per share (60,000 shares authorized; 36,793 and 39,361 shares issued and outstanding as of December 31, 2008 and 2007)	37	39
Additional paid-in capital	265,453	267,817
Retained deficit	(192,564)	(60,118)
Cost of treasury stock, 459 common shares as of December 31, 2008 and 315 common shares as of December 31, 2007	(3,130)	(2,633)
Total stockholders' equity	69,796	205,105
Total liabilities and stockholders' equity	$ 507,810	$ 647,256

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

U.S. CONCRETE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31		
	2008	2007	2006
Revenue	$ 754,298	$ 803,803	$ 728,510
Cost of goods sold before depreciation, depletion and amortization	639,448	663,632	594,160
Goodwill and other asset impairments	135,631	82,242	38,948
Selling, general and administrative expenses	79,768	69,669	61,397
Depreciation, depletion and amortization	29,902	28,882	20,141
Income (loss) from operations	(130,451)	(40,622)	13,864
Interest income	114	114	1,601
Interest expense	27,170	28,092	23,189
Other income, net	1,984	3,587	1,769
Loss before income tax provision (benefit) and minority interest	(155,523)	(65,013)	(5,955)
Income tax provision (benefit)	(19,601)	48	1,348
Minority interest in consolidated subsidiary	(3,625)	(1,301)	—
Loss from continuing operations	(132,297)	(63,760)	(7,303)
Loss from discontinued operations (net of tax benefit of $81 in 2008, $3,911 in 2007 and $538 in 2006)	(149)	(5,241)	(787)
Net loss	$ (132,446)	$ (69,001)	$ (8,090)
Loss per share – Basic			
Loss from continuing operations	$ (3.48)	$ (1.67)	$ (0.20)
Loss from discontinued operations, net of income tax benefit	—	(0.14)	(0.02)
Net loss	$ (3.48)	$ (1.81)	$ (0.22)
Loss per share – Diluted			
Loss from continuing operations	$ (3.48)	$ (1.67)	$ (0.20)
Loss from discontinued operations, net of income tax benefit	—	(0.14)	(0.02)
Net loss	$ (3.48)	$ (1.81)	$ (0.22)
Number of shares used in calculating loss per share:			
Basic	38,099	38,227	36,847
Diluted	38,099	38,227	36,847

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

U.S. CONCRETE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock # of Shares	Common Stock Par Value	Additional Paid-In Capital	Deferred Compensation	Retained Earnings (Deficit)	Treasury Stock	Total Stockholders' Equity
BALANCE, December 31, 2005	29,809	$ 30	$ 172,857	$ (3,939)	$ 16,918	$ (945)	$ 184,921
Change in accounting principle for stripping costs, net of tax	—	—	—	—	(287)	—	(287)
Change in accounting principle for stock-based compensation	—	—	(3,939)	3,939	—	—	—
Employee purchase of ESPP shares	135	—	995	—	—	—	995
Common stock issuance	8,050	8	84,804	—	—	—	84,812
Stock options exercised	607	1	5,327	—	—	—	5,328
Stock-based compensation compensation plan	340	—	2,812	—	—	—	2,812
Cancellation of shares	(54)	—	—	—	—	—	—
Purchase of treasury shares	(92)	—	—	—	—	(914)	(914)
Net loss	—	—	—	—	(8,090)	—	(8,090)
BALANCE, December 31, 2006	38,795	$ 39	$ 262,856	$ —	$ 8,541	$ (1,859)	$ 269,577
Change in accounting principle for FIN No. 48	—	—	—	—	342	—	342
Employee purchase of ESPP shares	221	—	932	—	— —	—	932
Stock options exercised	153	—	1,000	—	—	—	1,000
Stock-based compensation compensation plan	311	—	3,029	—	—	—	3,029
Cancellation of shares	(35)	—	—	—	—	—	—
Purchase of treasury shares	(84)	—	—	—	—	(774)	(774)
Net loss	—	—	—	—	(69,001)	—	(69,001)
BALANCE, December 31, 2007	39,361	$ 39	$ 267,817	$ —	$ (60,118)	$ (2,633)	$ 205,105
Employee purchase of ESPP shares	213	—	717	—	—	—	717
Stock-based compensation compensation plan	572	1	3,511	—	—	—	3,512
Cancellation of shares	(61)	—	—	—	—	—	—
Repurchase of shares	(3,148)	(3)	(6,592)	—	—	—	(6,595)

Purchase of treasury shares	(144)		—		—		—		—		(497)		(497)
Net loss	—		—		—		—		(132,446)		—		(132,446)
BALANCE, December 31, 2008	36,793	$	37	$	265,453	$	—	$	(192,564)	$	(3,130)	$	69,796

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

52

U.S. CONCRETE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (132,446)	$ (69,001)	$ (8,090)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Goodwill and other asset impairments	135,631	82,242	38,964
Depreciation, depletion and amortization	29,902	30,857	22,322
Debt issuance cost amortization	1,674	1,545	1,492
Net (gain) loss on sale of assets	234	6,392	(316)
Deferred income taxes	(14,866)	(6,636)	(7,419)
Provision for doubtful accounts	1,923	2,253	1,721
Stock-based compensation	3,512	3,029	2,812
Excess tax benefits from stock-based compensation	—	(22)	(1,205)
Minority interest in consolidated subsidiary	(3,625)	(1,301)	—
Changes in assets and liabilities, excluding effects of acquisitions:			
Accounts receivable	2,032	4,518	1,454
Inventories	287	2,436	(3,334)
Prepaid expenses and other current assets	(830)	(6,151)	96
Other assets and liabilities, net	265	98	(136)
Accounts payable and accrued liabilities	5,985	(5,921)	(8,824)
Net cash provided by operating activities	29,678	44,338	39,537
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(27,783)	(29,719)	(41,931)
Payments for acquisitions, net of cash received of $0, $1,000 and $5,829	(23,759)	(23,120)	(192,816)
Proceeds from disposals of property, plant and equipment	4,403	2,574	3,699
Disposals of business units	7,583	16,432	—
Other investing activities	40	(251)	369
Net cash used in investing activities	(39,516)	(34,084)	(230,679)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	151,897	34,227	92,621
Repayments of borrowings	(145,051)	(39,226)	(3,373)
Proceeds from issuances of common stock	717	1,910	89,930
Excess tax benefits from stock-based compensation	—	22	1,205
Shares purchased under common stock buyback program	(6,595)	—	—
Purchase of treasury shares	(497)	(774)	(914)
Debt issuance costs	(160)	(367)	(3,177)
Net cash provided by (used in) financing activities	311	(4,208)	176,292
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,527)	6,046	(14,850)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,850	8,804	23,654
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 5,323	$ 14,850	$ 8,804
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	$ 25,587	$ 26,665	$ 19,655

Cash (refund) paid for income taxes	$	(2,148)	$	6,884	$	2,560
Supplemental Disclosure of Noncash Investing and Financing Activities:						
Assumption of notes payable and capital leases in acquisitions of businesses	$	—	$	108	$	12,378

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

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Our Company, a Delaware corporation, provides ready-mixed concrete, precast concrete products and concrete-related products and services to the construction industry in several major markets in the United States. U.S. Concrete, Inc. is a holding company and conducts its businesses through its consolidated subsidiaries. In these Notes to Consolidated Financial Statements, we refer to U.S. Concrete, Inc. and its Subsidiaries as “we,” “us” or “U.S. Concrete” unless we specifically state otherwise or the context indicates otherwise.

Basis of Presentation

The consolidated financial statements consist of the accounts of U.S. Concrete, Inc., its wholly owned subsidiaries and its majority owned subsidiary in Michigan. All significant intercompany account balances and transactions have been eliminated. We have made certain reclassifications to prior period amounts to conform to the current period presentation. These reclassifications did not have an impact on our financial position, results of operations or cash flows.

Cash and Cash Equivalents

We record as cash equivalents all highly liquid investments having maturities of three months or less at the date of purchase. Cash held as collateral or escrowed for contingent liabilities is included in other current and noncurrent assets based on the expected release date of the underlying obligation.

Inventories

Inventories consist primarily of cement and other raw materials, precast concrete products, building materials and repair parts that we hold for sale or use in the ordinary course of business. We use the first-in, first-out method to value inventories at the lower of cost or market.

We provide reserves for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and its estimated net realizable value using assumptions about future demand for those products and market conditions. If actual market conditions are less favorable than those projected by our management, additional inventory reserves may be required.

Prepaid Expenses

Prepaid expenses primarily include amounts we have paid for insurance, licenses, taxes, rent and maintenance contracts. We expense or amortize all prepaid amounts as used or over the period of benefit, as applicable.

Property, Plant and Equipment, Net

We state property, plant and equipment at cost and use the straight-line method to compute depreciation of these assets other than mineral deposits over the following estimated useful lives: buildings and land improvements, from 10 to 40 years; machinery and equipment, from 10 to 30 years; mixers, trucks and other vehicles, from six to 12 years;

and other, from three to 10 years. For some of our assets, we use an estimate of the asset's salvage value at the end of its useful life to reduce the cost of the asset which is subject to depreciation. Salvage values generally approximate 10% of the asset's original cost. We capitalize leasehold improvements on properties held under operating leases and amortize those costs over the lesser of their estimated useful lives or the applicable lease term. We compute depletion of mineral deposits as such deposits are extracted utilizing the units-of-production method.We expense maintenance and repair costs when incurred and capitalize and depreciate expenditures for major renewals and betterments that extend the useful lives of our existing assets. When we retire or dispose of property, plant or equipment, we remove the related cost and accumulated depreciation from our accounts and reflect any resulting gain or loss in our statements of operations.

We evaluate the recoverability of our long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Such evaluations for impairment are significantly impacted by estimates of future prices for our products, capital needs, economic trends in the applicable construction sector and other factors. If we consider such assets to be impaired, the impairment we recognize is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of by sale are reflected at the lower of their carrying amounts, or fair values, less cost to sell.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Goodwill and Other Intangible Assets

Intangible assets acquired in business combinations consist primarily of goodwill and covenants not-to-compete. Goodwill represents the amount by which the total purchase price we have paid for acquisitions exceeds our estimated fair value of the net tangible assets acquired. We test goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. We generally test for goodwill impairment in the fourth quarter of each year, because this period gives us the best visibility of the reporting units' operating performances for the current year (seasonally, April through October are highest revenue and production months) and outlook for the upcoming year, since much of our customer base is finalizing operating and capital budgets. We test goodwill for impairment loss under a two-step approach, as defined by SFAS 142. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of the impairment loss. This is determined by comparison of the implied fair value of the reporting units' goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting units' goodwill exceeds the implied fair value of that goodwill, we recognize an impairment loss as expense.

Intangible assets with definite lives consist principally of covenants not-to-compete established with former owners and other key management personnel in business combinations and are amortized over the period that we believe best reflects the period in which the economic benefits will be consumed. We evaluate intangible assets with definite lives for recoverability when events or circumstances indicate that these assets might be impaired. We test those assets for impairment by comparing their respective carrying values to estimates of the sum of the undiscounted future net cash flows expected to result from the assets. If the carrying amount of an asset exceeds the sum of the undiscounted net cash flows we expect from that asset, we recognize an impairment loss based on the amount by which the carrying value exceeds the fair value of the asset. See Note 2 for further discussion of goodwill and other intangible assets.

Debt Issue Costs

We amortize debt issue costs related to our revolving credit facilities and 8 % senior subordinated notes as interest expense over the scheduled maturity period of the debt. Unamortized debt issuance costs were $6.8 million as of December 31, 2008 and $8.2 million as of December 31, 2007. We include those unamortized costs in other assets.

Allowance for Doubtful Accounts

We provide an allowance for accounts receivable we believe may not be collected in full. A provision for bad debt expense recorded to selling, general and administrative expenses increases the allowance. Accounts receivable are written off when we determine the receivable will not be collected. Accounts receivable that we write off our books decrease the allowance. We determine the amount of bad debt expense we record each period and the resulting adequacy of the allowance at the end of each period by using a combination of historical loss experience, a customer-by-customer analysis of our accounts receivable balances each period and subjective assessments of our bad debt exposure. The allowance for doubtful accounts balance was $3.1 million as of December 31, 2008 and 2007.

Revenue and Expenses

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

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Insurance Programs

We maintain third-party insurance coverage against certain risks. Under our insurance programs, we share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. In connection with these automobile, general liability and workers' compensation insurance programs, we have entered into standby letters of credit agreements totaling $13.4 million at December 31, 2008. We fund our deductibles and record an expense for losses we expect under the programs. We determine expected losses using a combination of our historical loss experience and subjective assessments of our future loss exposure. The estimated losses are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation and economic conditions. The amounts accrued for self-insured claims were $12.6 million as of December 31, 2008 and $12.3 million as of December 31, 2007. We include those accruals in accrued liabilities.

Asset Retirement Obligations

Statement of Financial Accounting Standards ("SFAS") No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset, and this additional carrying amount is amortized over the life of the asset. The liability is accreted at the end of each reporting period through charges to operating expenses. If the obligation is settled for other than the carrying amount of the liability, we will recognize a gain or loss on settlement. Asset retirement obligations accrued at December 31, 2008 and 2007 were not material.

Income Taxes

We use the liability method of accounting for income taxes. Under this method, we record deferred income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities and use enacted tax rates and laws that we expect will be in effect when we recover those assets or settle those liabilities, as the case may be, to measure those taxes. We record a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized. We recorded a valuation allowance of $0.2 million as of December 31, 2008. There was no valuation allowance recorded as of December 31, 2007.

Effective January 1, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, Accounting for Income Taxes." FIN 48 requires that the financial statement effects of a tax position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The cumulative effect of applying FIN 48 was $0.3 million and was recorded as an adjustment to the January 1, 2007 balance of retained earnings.

Fair Value of Financial Instruments

Our financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and long-term debt. Our management considers the carrying values of cash and cash equivalents, trade receivables and trade payables to be representative of their respective fair values because of their short-term maturities or expected settlement dates. The carrying value of ourstanding amounts under our revolving credit facility approximates fair value due to the floating interest rate. The fair value of our 8 % senior subordinated notes at year end was estimated at

$146.1 million at December 31, 2008 and $248.8 million at December 31, 2007.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions that 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.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Stripping Costs

Effective January 1, 2006, we adopted Emerging Issues Task Force Issue No. 04-6, “Accounting for Stripping Costs in the Mining Industry” (“EITF 04-6”). EITF 04-6 concludes that stripping costs incurred after the first saleable minerals are extracted from the mine (i.e., post-production stripping costs) are a component of mineral inventory cost. Under EITF 04-6, all post-production stripping costs are considered variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. We recognized all capitalized post-production stripping costs as an adjustment to beginning retained earnings at January 1, 2006. Prior to the adoption of EITF 04-6, we capitalized certain post-production stripping costs and amortized those costs over the life of the uncovered reserves using a units-of-production approach.

Loss Per Share

We computed basic loss per share using the weighted average number of common shares outstanding during the year, excluding the nonvested portion of restricted stock. We computed diluted earnings per share using the weighted average number of common shares outstanding during the year, but also include the dilutive effect of stock-based incentives and option plans (including stock options and awards of restricted stock).

The following table reconciles the numerator and denominator of the basic and diluted loss per share during the years ended December 31, 2008, 2007 and 2006 (in thousands, except per share amounts).

	2008	2007	2006
Numerator:			
Loss from continuing operations	$ (132,297)	$ (63,760)	$ (7,303)
Loss from discontinued operations, net of income tax benefit	(149)	(5,241)	(787)
Net loss	$ (132,446)	$ (69,001)	$ (8,090)
Denominator:			
Weighted average common shares outstanding-basic	38,099	38,227	36,847
Effect of dilutive stock options and restricted stock	—	—	—
Weighted average common shares outstanding-diluted	38,099	38,227	36,847
Loss per share:			
Basic and diluted loss per share:			
From continuing operations	$ (3.48)	$ (1.67)	$ (0.20)
From discontinued operations	$ —	$ (0.14)	$ (0.02)
Net loss	$ (3.48)	$ (1.81)	$ (0.22)

For the years ended December 31, stock options and awards covering 2.8 million shares in 2008, 2.8 million shares in 2007 and 2.9 million shares in 2006 were excluded from the computation of diluted loss per share because their effect would have been antidilutive.

Comprehensive Income

Comprehensive income represents all changes in equity of an entity during the reporting period, except those resulting from investments by and distributions to stockholders. For each of the three years in the period ended December 31, 2008, no differences existed between our consolidated net income and our consolidated comprehensive income.

Segment Information

We have adopted SFAS No. 131, “Disclosures About Segments of an Enterprise and Related Information,” which establishes standards for the manner by which public enterprises are to report information about operating segments in annual financial statements and requires the reporting of selected information about operating segments in interim financial reports issued to stockholders. During the third quarter of 2006, we re-assessed our application of SFAS No. 131, and, based on the expected variation in the long-term margins of our operating segments, determined that it would be more appropriate to present our previously aggregated six geographic reporting units as two reportable segments, primarily along the following product lines: ready-mixed concrete and concrete-related products; and precast concrete products. In conjunction with this re-assessment, we have revised our prior period presentation to correspond with this revision. See Note 12 for additional segment disclosures.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Stock-based Compensation

Effective January 1, 2006, we adopted SFAS No. 123-R, "Share-Based Payment" ("SFAS 123R"), using the modified prospective method and, accordingly, we have not restated prior period results. SFAS 123R establishes the accounting for equity instruments exchanged for employee services. Under SFAS 123R, share-based compensation cost is measured at the grant date based on the calculated fair value of the award. The expense that is recognized over the employee's requisite service period, generally the vesting period of the award. SFAS 123R also requires that the related excess tax benefit received upon exercise of stock options or vesting of restricted stock, if any, be reflected in the statement of cash flows as a financing activity rather than an operating activity.

For additional discussion related to stock-based compensation, see Note 5.

Recent Accounting Pronouncements

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

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles ("GAAP"). SFAS No. 162 directs the GAAP hierarchy to the entity, not the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. SFAS No. 162 is effective 60 days following the Securities and Exchange Commission approval of the Public Company Accounting Oversight Board amendments to remove the GAAP hierarchy from the auditing standards. We do not expect the adoption of SFAS No. 162 to have any effect on our consolidated financial statements.

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

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

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

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51," which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. We do not expect the adoption of SFAS No. 160 to have a material impact on our consolidated financial statement.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2. GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," we record as goodwill the amount by which the total purchase price we pay in our acquisition transactions exceeds our estimated fair value of the identifiable net assets we acquire. We test goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. We generally test for goodwill impairment in the fourth quarter of each year, because this period gives us the best visibility of the reporting units' operating performances for the current year (seasonally, April through October are highest revenue and production months) and outlook for the upcoming year, since much of our customer base is finalizing operating and capital budgets. The impairment test we use consists of comparing our estimates of the current fair values of our reporting units with their carrying amounts. We currently have seven reporting units. Reporting units are organized based on our two product segments ((1) ready-mix concrete and concrete related products and (2) precast concrete products) and geographic regions.

In 2008, macro economic factors including the unprecedented and continuing credit crisis, the U.S. recession, the escalating unemployment rate and specifically the severe downturn in the U.S. construction markets, had a significant impact on the valuation metrics used in determining the long-term value of our reporting units. In particular, the cost of capital has increased substantially while the availability of funds from capital markets has diminished significantly. Lack of available capital also impacts our end-use customers by creating project delays or cancellations, thereby impacting our revenue and growth assumptions. The continued downturn in residential construction has expanded into the commercial sector and public works sector of our revenue base. The October 2008 cement consumption forecast for the U.S. construction market for 2009 through 2013 indicated further deterioration in cement consumption. In light of this, coupled with the slowdown in construction activity, persistently challenging interest rates and credit environments and our depressed stock price in October 2008, we recorded an impairment charge of $135.3 million in the fourth quarter of 2008. The higher cost of capital combined with a negative outlook for product sales growth in all of our regions has resulted in lower sales volumes and more competition for construction projects, thereby reducing expected future cash flows. These specific negative factors, combined with (i) lower enterprise values resulting from lower multiples of sales and EBITDA comparables, and (ii) the lack of recent third party transactions due to depressed macro economic conditions, resulted in the goodwill impairment expense for 2008.

In 2007, we recorded goodwill impairments of $81.9 million relating to our Michigan, South Central and our Northern California Precast reporting units. Our Michigan reporting unit's economic outlook continued to soften at greater levels throughout 2007, resulting in lower projected cash flow. Our South Central reporting unit's outlook deteriorated, resulting in lower projected cash flow and continued competitive pressures and limiting our future profitability expectations. Our Northern California Precast reporting unit was significantly impacted by the continued slowdown in residential housing construction, which impacted our projected future cash flows. These specific negative factors in the above mentioned reporting units, combined with lower enterprise values and sales transaction values for participants in our industry, resulted in the goodwill impairment expense.

In 2006, we recorded a $38.8 million goodwill impairment associated with our Michigan reporting unit, which resulted from the continued slowdown and negative economic outlook regarding construction activities for the Michigan reporting unit throughout 2006. This negative outlook resulted in lower selling volumes, lower product pricing and more competition for construction projects, thereby reducing our outlook for expected future cash flows. Specifically, the downturn in the U.S. automotive manufacturing industry, primarily based in the greater Detroit market, combined with the slowdown in residential, commercial and public works projects resulted in lower sales volumes and product selling price pressures in an already highly competitive ready-mixed concrete market. These changes resulted in a significantly lower estimated fair value.

In the fourth quarter of 2007, we disposed of certain business units. In connection with the impairment or sale of the units in the fourth quarter, we wrote off associated goodwill of $7.2 million, which is reflected as a component of loss from discontinued operations for the year ended December 31, 2007.

As of December 31, 2008 and 2007, U.S. Concrete had no intangible assets with indefinite lives other than goodwill.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The changes in the carrying amount of goodwill for 2008 and 2007 were as follows (in thousands):

	Ready-Mixed Concrete and Concrete-Related Products	Precast Concrete Products	Total
Balance at December 31, 2006	$ 216,598	$ 34,901	$ 251,499
Acquisitions	3,549	10,888	14,437
Impairments	(72,817)	(9,074)	(81,891)
Dispositions	(7,199)	—	(7,199)
Adjustments	7,985	168	8,153
Balance at December 31, 2007	$ 148,116	$ 36,883	$ 184,999
Acquisitions	8,954	—	8,954
Impairments	(109,331)	(25,994)	(135,325)
Adjustments	1,431	(862)	569
Balance at December 31, 2008	$ 49,170	$ 10,027	$ 59,197

Our intangible assets with definite lives primarily consist of covenants not-to-compete established in business combinations and are recorded in other noncurrent assets. We amortize covenants not-to-compete ratably over the life of the agreement, which is generally five years. Accumulated amortization associated with covenants not-to-compete was $0.8 million for 2008, $0.6 million for 2007 and $0.6 million for 2006. Amortization expense associated with our covenants not-to-compete at December 31, 2008, is expected to be $0.3 million in 2009, $0.2 million in 2010, less than $0.1 million in 2011 and zero thereafter.

The changes in the carrying amount of the other intangible assets for 2008 and 2007 were as follows (in thousands):

Balance at January 1, 2007	$ 2,111
Write-off of covenant not-to-compete related to disposed business unit	(987)
Amortization of covenants not-to-compete	(572)
Balance at December 31, 2007	552
Addition of covenant not-to-compete related to API acquisition	220
Amortization of covenants not-to-compete	(280)
Balance at December 31, 2008	$ 492

3. DISCONTINUED OPERATIONS

In the fourth quarter of 2007, we entered into definitive agreements to dispose of three of our ready-mixed concrete business units. On November 19, 2007, we sold our Knoxville, Tennessee and Wyoming, Delaware business units. The sale of our third unit, headquartered in Memphis, Tennessee, occurred on January 31, 2008. All three units were part of our ready-mixed concrete and concrete-related products segment. We classified all three business units sold or held for sale as discontinued operations as of December 31, 2007 and presented the results of operations, net of tax, as discontinued operations in the accompanying consolidated statements of operations for all periods presented. The assets and liabilities of the discontinued units which remained unsold as of the balance sheet date were classified as "held for sale" in our consolidated balance sheets at December 31, 2007 and 2006. The results of discontinued operations included in the accompanying consolidated statements of operations were as follows for the years ended

December 31 (in thousands):

	2008	2007	2006
Revenue	$ 671	$ 43,606	$ 61,012
Operating expenses	1,395	47,241	62,337
(Gain) loss on disposal of assets	(494)	5,517	—
Loss from discontinued operations, before income tax benefit	(230)	(9,152)	(1,325)
Income tax benefits from discontinued operations	(81)	(3,911)	(538)
Loss from discontinued operations, net of tax	$ (149)	$ (5,241)	$ (787)

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

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

4. BUSINESS COMBINATIONS

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

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

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

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

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

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

In October 2007, we completed the acquisition of the operating assets, including working capital and real property of Architectural Precast, LLC ("API"), a leading designer and manufacturer of premium quality architectural and structural precast concrete products serving the Atlantic region. We used borrowings under our revolving credit facility to fund the cash purchase price of approximately $14.5 million. The purchase agreement provides for up to $1.5 million in additional purchase consideration, which is contingent on API attaining established earnings targets in each of 2008 and 2009. As of September 30, 2008, API attained its established earnings target for the previous twelve month period as established in the asset purchase agreement, and we paid out $750,000 in the first quarter of 2009, less certain uncollected pre-acquisition accounts receivables.

In April 2007, several of our subsidiaries entered into agreements with the Edw. C. Levy Co. relating to the formation of Superior Material Holdings, LLC, a ready-mixed concrete company that operates in Michigan. We contributed our Michigan ready-mixed concrete and concrete-related products assets, excluding our quarry assets and working capital, in exchange for an aggregate 60% ownership interest, and Levy contributed all of its ready-mixed concrete and concrete-related products assets, a cement terminal and cash of $1.0 million for a 40% ownership interest in the new company. Under the contribution agreement, Superior Materials Holdings, LLC also purchased the then carrying amount of Levy's inventory and prepaid assets, totaling approximately $3.0 million, which is classified as cash used in investing activities. Superior Materials Holdings, LLC, which operates primarily under the trade name Superior Materials, owns 27 ready-mixed concrete plants, a cement terminal and a fleet of ready-mixed concrete trucks. Based on current economic conditions in Michigan, many of these ready-mixed concrete plants have been temporarily idled.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table presents our allocation, based on the fair values at the acquisition date (in thousands) of the consideration exchanged in the transaction:

Estimated Purchase Price		
Net assets of our Michigan operations reduced to 40%	$	8,272
Acquisition costs		649
Total estimated purchase price	$	8,921
Purchase Price Allocation		
Cash	$	1,000
Property, plant and equipment		17,158
Goodwill		1,303
Total assets acquired		19,461
Capital lease liability.		108
Deferred tax liability		3,211
Total liabilities assumed		3,319
Minority interest		7,221
Net assets acquired	$	8,921

For financial reporting purposes, we are including Superior Materials Holdings, LLC in our consolidated accounts.

The following unaudited pro forma financial information reflects our historical results, as adjusted on a pro forma basis to give effect to the disposition of 40% of our Michigan operations (excluding quarry assets and working capital) through our contribution of those operations to the newly formed Michigan subsidiary, Superior Materials Holdings, LLC, in return for a 60% interest in that company, which includes the Michigan ready-mixed concrete operations contributed by the Edw. C. Levy Co., as if it occurred on January 1, 2006 (in thousands, except per share amounts):

	For the Years Ended December 31,			
		2007		2006
Revenues	$	807,035	$	760,552
Net income (loss)		(66,628)		5,549
Basic earnings (loss) per share	$	(1.74)	$	0.15
Diluted earnings (loss) per share	$	(1.74)	$	0.15

The pro forma financial information does not purport to represent what the combined financial results of operations of our company and Superior Materials Holdings, LLC actually would have been if these transactions and events had in fact occurred when assumed and are not necessarily representative of our results of operations for any future period.

We completed two other acquisitions, which are discussed in this footnote, during the year ended December 31, 2007. The pro forma impact of the other acquisitions have not been included due to the fact that they are immaterial to our financial statements individually and in the aggregate.

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

In November 2006, we acquired a ready-mixed concrete and sand and gravel quarry operation in Breckenridge, Texas. The purchase price was $3.0 million in cash and the assumption of approximately $0.4 million in debt.

In October 2006, we acquired a granite quarry and a natural sand pit located in New Jersey from Pinnacle Materials, Inc. for $12.5 million in cash.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In July 2006, we acquired all of the equity interests of Alberta Investments, Inc. and Alliance Haulers, Inc. for $165.0 million and a post-closing payment of $0.3 million. We funded the payment of the purchase price with net proceeds from the private placement of $85.0 million in senior subordinated notes due 2014, issued in July 2006; a borrowing under the revolving credit facility provided by our Amended and Restated Senior Secured Credit Agreement (the "Credit Agreement"); and cash on hand. We also effectively assumed, in connection with this acquisition, equipment financing loans of approximately $10.6 million. Alberta Investments conducted the substantial majority of its operations through two subsidiaries: Redi-Mix, L.P. and Ingram Enterprises, L.P. At the time of the acquisition, Redi-Mix operated 13 ready-mixed concrete plants in the Dallas/Fort Worth Metroplex and in areas north of the Metroplex, and Ingram Enterprises operated 17 ready-mixed concrete plants and three sand and gravel plants in west Texas. Redi-Mix and Ingram operated a combined fleet of approximately 310 mixer trucks and produced approximately 2.4 million cubic yards of ready-mixed concrete and 1.1 million tons of aggregates in 2005. Alliance Haulers provided cement and aggregates hauling services with a fleet of approximately 260 hauling trucks owned by Redi-Mix and third-party haulers.

In June 2006, we acquired the operating assets, including real property, of Olson Precast Company used in the production of precast concrete products in northern California, for $4.8 million in cash.

In April 2006, we acquired Kurtz Gravel Company and the Phoenix, Arizona operating assets of Pre-Cast Mfg., Inc. Kurtz produced ready-mixed concrete from six plants and mined aggregates from a quarry, all located in or near our existing operations in the metropolitan Detroit area. We purchased Kurtz for approximately $13.0 million in cash and assumed certain capital lease liabilities with a net present value of approximately $1.5 million. We purchased the Pre-Cast Mfg. assets for approximately $5.0 million in cash.

5. STOCK-BASED COMPENSATION

Under SFAS 123R, share-based compensation cost is measured at the grant date based on the calculated fair value of the award. The expense is recognized over the employee's requisite service period, generally the vesting period of the award. We have elected to use the long-form method of determining our pool of windfall tax benefits as prescribed under SFAS 123R.

For the years ended December 31, we recognized stock-based compensation expense related to restricted stock and stock options of approximately $3.5 million ($2.6 million, net of tax) in 2008, $3.0 million ($1.9 million, net of tax) in 2007, and $2.8 million ($1.7 million, net of tax) in 2006. Stock-based compensation expense is reflected in selling, general and administrative expenses in our consolidated statements of operations.

As of December 31, 2008 and 2007, there was approximately $4.2 million and $5.1 million, respectively, of unrecognized compensation cost related to unvested restricted stock awards and stock options which we expect to recognize over a weighted average period of 2.3 years and 1.8 years, respectively.

Restricted Stock

We issue restricted stock awards under our incentive compensation plans. These awards vest over specified periods of time, generally four years. The shares of restricted common stock are subject to restrictions on transfer and certain conditions to vesting. During the restriction period, the holders of restricted shares are entitled to vote and receive dividends, if any, on those shares.

Restricted stock activity for 2008 was as follows (shares in thousands):

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested restricted shares outstanding at December 31, 2007	805	$ 8.07
Granted	572	4.12
Vested	(494)	8.32
Canceled	(61)	6.68
Unvested restricted shares outstanding at December 31, 2008	822	$ 7.70

Compensation expense associated with awards of restricted stock under our incentive compensation plans was $3.4 million in 2008, $2.7 million in 2007 and $2.4 million in 2006.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Stock Options

Our 1999 Incentive Plan, 2001 Employee Incentive Plan and 2008 Incentive Plan enable us to grant nonqualified and incentive options, restricted stock, stock appreciation rights and other long-term incentive awards to our employees and nonemployee directors (except that none of our officers or directors are eligible to participate in our 2001 Plan), and in the case of the 1999 Incentive Plan and 2001 Employee Incentive Plans, also to nonemployee consultants and other independent contractors who provide services to us. Option grants under these plans generally vest either over a four-year period or, in the case of option grants to non-employee directors, six months from the grant date and expire if not exercised prior to the tenth anniversary of the applicable grant date, or in the case of non-employee directors, the fifth anniversary of the applicable grant date. Proceeds from the exercise of stock options are credited to common stock at par value, and the excess is credited to additional paid-in capital. The aggregate number of shares available under the 1999 Incentive Plan and 2001 Incentive Plan was approximately 1.2 million as of December 31, 2007. Our 1999 Incentive Plan terminated on December 31, 2008. While, as of December 31, 2008, there were 227,727 shares of our common stock remaining available for awards under the 2001 Plan, we do not anticipate making any new awards under this Plan. The aggregate number of shares available for awards under the 2008 Incentive Plan was approximately 2.4 million as of December 31, 2008.

We estimated the fair value of each of our stock option awards on the date of grant using a Black-Scholes option pricing model. We determined the expected volatility using our common stock's historic volatility. For each option awarded, the risk-free interest rate was based on the U.S. Treasury yield in effect at the time of grant for periods corresponding with the expected life of the option. The expected life of an option represents the weighted average period of time that an option grant is expected to be outstanding, giving consideration to its vesting schedule and historical exercise patterns. The significant weighted-average assumptions relating to the valuation of our stock options were as follows:

	2008	2007
Dividend yield	0.0%	0.0%
Volatility rate	39.8% - 48.9%	37.3%
Risk-free interest rate	1.6% - 3.3%	3.5%
Expected option life (years)	5.0	5.0

We granted 145,000 and 63,000 stock options in 2008 and 2007, respectively. Compensation expense related to stock options was approximately $137,000 ($103,490, net of tax) in 2008 and $185,000 ($116,920, net of tax) in 2007. Stock option activity information for 2008 was as follows (shares in thousands):

	Number of Shares Underlying Options	Weighted-Average Exercise Price
Options outstanding at December 31, 2007	1,978	$ 7.21
Granted	145	4.43
Exercised	—	—
Canceled	(115)	6.48
Options outstanding at December 31, 2008	2,008	$ 7.05
Options exercisable at December 31, 2008	1,913	$ 7.20

The aggregate intrinsic value of outstanding options and exercisable options at December 31, 2008 was $0.1 million. The weighted average remaining contractual term for outstanding options and exercisable options at December 31, 2008 was 2.3 years. The total fair value of shares vested during 2008 and 2007 was $0.1 million and $0.6 million, respectively.

Stock option information related to the nonvested options for the year ended December 31, 2008 was as follows (shares in thousands):

	Number of Shares Underlying Options	Weighted-Average Grant Date Fair Value
Nonvested options outstanding at December 31, 2007	—	$ —
Granted	145	1.76
Vested	(50)	(2.13)
Canceled	—	—
Nonvested options outstanding at December 31, 2008	95	$ 1.56

Share Price Performance Units

In August 2005, the compensation committee of our board of directors awarded approximately 163,000 share price performance units to certain salaried employees, other than executive officers and senior management. Those awards vest in four equal annual installments, beginning in May 2006. Each share price performance unit is equal in value to one share of our common stock. Upon vesting, a holder of share price performance units will receive a cash payment from us equal to the number of vested share price performance units multiplied by the closing price of a share of our common stock on the vesting date. During the period prior to vesting, holders of share price performance units would be entitled to receive a cash amount equal to dividends paid, if any, on shares of our common stock equal to the number of then unvested share price performance units. The value of these awards is accrued and charged to expense over the performance period of the units. We recognized compensation expense of $0.1 million in 2008. We recognized a reversal of compensation expense of $0.1 million and $0.6 million in 2007 and 2006, respectively. This is included in selling, general and administrative expenses on the Consolidated Statements of Operations. No share price performance units were granted in 2008, 2007 or 2006.

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

6. INVENTORIES

Inventory available for sale at December 31 consists of the following (in thousands):

	December 31	
	2008	2007
Raw materials	$ 18,100	$ 17,374
Precast products	8,353	7,495
Building materials for resale	2,922	3,520
Repair parts	3,393	4,168
	$ 32,768	$ 32,557

7. PROPERTY, PLANT AND EQUIPMENT

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

	December 31	
	2008	2007
Land and mineral deposits	$ 84,432	$ 82,075
Buildings and improvements	34,461	28,204
Machinery and equipment	133,923	124,992
Mixers, trucks and other vehicles	102,403	101,486
Other, including construction in progress	23,546	15,347
	378,765	352,104
Less: accumulated depreciation and depletion	(105,996)	(85,094)
	$ 272,769	$ 267,010

As of December 31, the carrying amounts of mineral deposits were $27.1 million in 2008 and $28.6 million in 2007.

8. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Activity in our allowance for doubtful accounts receivable consists of the following (in thousands):

	December 31		
	2008	2007	2006
Balance, beginning of period	$ 3,102	$ 2,551	$ 2,949
Provision for doubtful accounts	1,923	2,057	2,143
Uncollectible receivables written off, net of recoveries	(1,937)	(1,506)	(2,541)
Balance, end of period	$ 3,088	$ 3,102	$ 2,551

Accrued liabilities consist of the following (in thousands):

	December 31	
	2008	2007
Accrued compensation and benefits	$ 8,693	$ 4,877
Accrued interest	6,049	6,069

Accrued income taxes	321	447
Accrued insurance	13,611	14,102
Other	25,807	19,916
	$ 54,481	$ 45,411

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

9. DEBT

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

	December 31 2008	2007
Senior secured credit facility due 2011	$ 11,000	$ —
8 % senior subordinated notes due 2014	283,998	283,807
Capital leases	430	763
Superior Materials Holdings, LLC secured credit facility due 2010	5,149	7,816
Notes payable	5,411	6,114
	305,988	298,500
Less: current maturities	3,371	3,172
	$ 302,617	$ 295,328

Senior Secured Credit Facility

On June 30, 2006, we entered into the Credit Agreement, which amended and restated our senior secured credit agreement dated as of March 12, 2004. The Credit Agreement, as amended to date, provides us with a revolving credit facility of up to $150 million, with borrowings limited based on a portion of the net amounts of eligible accounts receivable, inventory and mixer trucks. The facility is scheduled to mature in March 2011. At December 31, 2008, we had borrowings of $11.0 million under this facility at the lower of an annual interest at the Eurodollar-based rate ("LIBOR") plus 1.75% or the domestic rate of 3.25% plus 0.25%. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility. The Credit Agreement provides that the administrative agent may, on the bases specified, reduce the amount of the available credit from time to time. Additionally, any "material adverse change" of the Company could restrict our ability to borrow under the senior secured credit facility. A material adverse change is defined as a material adverse change in any of (a) the condition (financial or otherwise), business, performance, prospects, operations or properties of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower and the Guarantors, taken as a whole, to perform their respective obligations under the Loan Documents or (c) the rights and remedies of the Administrative Agent, the Lenders or the issuers to enforce the Loan Documents. At December 31, 2008, the amount of the available credit was approximately $91.1 million, net of outstanding revolving credit borrowings of $11.0 million and outstanding letters of credit of approximately $11.6 million.

Our subsidiaries, excluding our 60%-owned Michigan subsidiary and minor subsidiaries, without operations or material assets, have guaranteed the repayment of all amounts owing under the Credit Agreement. In addition, we collateralized our obligations under the credit facility with the capital stock of our subsidiaries, excluding our 60%-owned Michigan subsidiary and minor subsidiaries without operations or material assets, and substantially all the assets of those subsidiaries, excluding our 60%-owned Michigan subsidiary, most of the assets of the aggregates quarry in northern New Jersey and other real estate owned by us or our subsidiaries. The Credit Agreement contains covenants restricting, among other things, prepayment or redemption of subordinated notes, distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also limits capital expenditures (excluding permitted acquisitions) to the greater of $45 million, or 5%, of consolidated revenues in the prior 12 months, and will require us to maintain a minimum fixed-charge coverage ratio of 1.0 to 1.0 on a rolling 12-month basis if the available credit under the facility falls below $25 million. The Credit Agreement provides that specified change of control events would constitute events of default. As of December 31, 2008, we were in compliance with our financial covenants under the Credit Agreement.

Senior Subordinated Notes

On March 31, 2004, we issued $200 million principal amount of 8 % senior subordinated notes due April 1, 2014. Interest on these notes is payable semi-annually on April 1 and October 1 of each year. We used the net proceeds of this financing to redeem our prior 12% senior subordinated notes and prepay the outstanding debt under our credit facility. In July 2006, we issued $85 million principal amount of additional 8 % senior subordinated notes due April 1, 2014, to fund a portion of the purchase price for the acquisition of Alberta Investments and Alliance Haulers.

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

U.S. CONCRETE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The indenture governing the notes limits our ability and the ability of our subsidiaries to pay dividends or repurchase common stock, make certain investments, incur additional debt or sell preferred stock, create liens, merge or transfer assets. After March 31, 2009, we may redeem all or a part of the notes at a redemption price of 104.188% in 2009, 102.792% in 2010, 101.396% in 2011 and 100% in 2012 and thereafter. The indenture requires us to offer to repurchase (1) an aggregate principal amount of the subordinated notes equal to the proceeds of certain asset sales that are not reinvested in the business or used to pay senior debt and (2) all the notes following the occurrence of a change of control. The Credit Agreement limits these repurchases.

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

Superior Materials Holdings, LLC Credit Facility

Superior Materials Holdings, LLC has a separate credit agreement that provides for a revolving credit facility. The credit agreement, as amended to date, currently allows for borrowings of up to $17.5 million. Borrowings under this credit facility are collateralized by substantially all the assets of Superior Materials Holdings, LLC and are scheduled to mature on April 1, 2010. Availability of borrowings is subject to a borrowing base that is determined based on the values of net receivables, certain inventories, certain rolling stock and letters of credit. The credit agreement provides that the lender may, on the bases specified, reduce the amount of the available credit from time to time. As of December 31, 2008, there was $5.1 million in outstanding borrowings under the revolving credit facility, and the remaining amount of the available credit was approximately $5.6 million. Letters of credit outstanding at December 31, 2008 were $1.8 million which reduces the amount available under the credit facility.

Currently, borrowings have an annual interest rate at Superior Materials Holdings, LLC's option of either, LIBOR plus 4.25% or prime rate plus 2.00%. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility.

The credit agreement contains covenants restricting, among other things, Superior Materials Holdings, LLC's distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also generally limits Superior Materials Holdings, LLC's capital expenditures and requires the subsidiary to maintain compliance with specified financial covenants, including an affirmative covenant which requires earnings before income taxes, interest and depreciation ("EBITDA") to meet certain minimum thresholds quarterly. During the trailing twelve months ended December 31, 2008, the credit agreement required a threshold EBITDA of $(3.3) million. Superior Materials Holdings, LLC reported $(2.8) million of EBITDA, as defined. As of December 31, 2008, Superior Materials Holdings, LLC was in compliance with its financial covenants under the credit agreement.

U.S. Concrete and its 100%-owned subsidiaries are not obligors under the terms of the Superior Materials Holdings, LLC credit agreement. However, in connection with the recent amendment of the revolving credit facility, Superior Materials Holdings, LLC's credit agreement provides that an event of default beyond a 30-day grace period under either U.S. Concrete's or Edw. C. Levy's credit agreement would constitute an event of default. Furthermore, U.S.

Concrete agreed to provide or obtain additional equity or subordinated debt capital not to exceed $6.75 million through the term of the revolving credit facility to fund any future cash flow deficits, as defined in the credit agreement, of Superior Materials Holdings, LLC. No capital contribution was required under that agreement for the period ended December 31, 2008.

10. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

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

December 31