US CONCRETE INC
Form 10-K
March 16, 2006

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, 2005

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

Common Stock, par value $.001	**Nasdaq National 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 x

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 x

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 x 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 a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x	Non-accelerated filer	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)

Yes o No x

Aggregate market value of the voting stock held by nonaffiliates of the registrant computed by reference to the last reported sale price of $6.47 of the registrant s common stock on the Nasdaq National Market as of June 30, 2005, the last business day of the registrant s most recently completed second quarter: $150,843,456

There were 38,244,766 shares of common stock, par value $.001 per share, of the registrant outstanding as of March 10, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the registrant s 2006 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, 2005

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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, budget, goal or other words that convey the uncertainty of future events or outcomes. In addition, some we will specifically describe a statement as being a forward-looking statement and refer to this cautionary statement.

Various statements this report contains, including those that express a belief, expectation or intention and those that are not statements of historical fact, 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 Legal Proceedings, Item 7 Management s Discussion and Analysis of Financial Conditi Results of Operations, Item 7A Quantitative and Qualitative Disclosures About Market Risk, Item 9A Controls and Procedures and elsewhere in 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, 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 and concrete-related products in select markets in the United States. We are a leading ready-mixed concrete producer in substantially all the markets in which we have ready-mixed concrete operations. Ready-mixed concrete is an important building material that is used in the vast majority of commercial, residential and public works construction projects.

We operate principally in California, New Jersey, Michigan and Texas, with those states representing 43%, 18%, 10% and 10%, respectively, of our net sales for the year ended December 31, 2005. According to publicly available industry information, those states represented an aggregate of 28.1% of the U.S. consumption of ready-mixed concrete in 2005 (California, 12.4%, New Jersey, 1.6%, Michigan, 2.4% and Texas, 11.7%). We believe the geographic scope of our operations enables us to achieve cost savings through consolidated purchasing, to reduce our administrative costs and to moderate the impact of regional economic cycles and weather conditions. Our consolidated revenues for the year ended December 31, 2005 were $575.7 million, of which we derived approximately 79% from the sale of ready-mixed concrete and 21% from the sale of other concrete and concrete-related products and aggregates. For information on our consolidated revenues and income from operations for the years ended December 31, 2005, 2004 and 2003 and our consolidated total assets as of December 31, 2005 and 2004, see our Consolidated Financial Statements included in this report.

As of March 10, 2006, we had 100 fixed and seven portable ready-mixed concrete plants, eight precast concrete plants, three concrete block plants and two aggregates quarries. During 2005, these facilities produced approximately 6.2 million cubic yards of ready-mixed concrete, 4.8 million eight-inch equivalent block units and 1.6 million tons of aggregates.

Our operations consist principally of formulating, preparing and delivering 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 general contractors, developers and home builders whose focus extends beyond the price of ready-mixed concrete to product quality, product consistency and reduction of in-place concrete costs.

In addition, we manufacture and deliver various precast and concrete masonry products for the construction industry. These businesses are complementary to our ready-mixed concrete operations and provide us opportunities to cross-sell various products in markets in which we sell both ready-mixed concrete and other concrete products.

U.S. Concrete, Inc. is a Delaware corporation which was incorporated in 1997. We began operations in 1999 on completion of 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 admixtures and cement. Ready-mixed concrete can be manufactured in thousands of variations, which in each instance may reflect a specific design use. Manufacturers of ready-mixed concrete generally maintain only a few days inventory of raw materials and must coordinate their daily materials purchases with the time-sensitive delivery requirements of their customers.

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

Concrete manufacturers generally obtain contracts through local sales and marketing efforts they direct at general contractors, developers and home builders. As a result, local relationships are very important.

Based on information from the National Ready-Mixed Concrete Association, 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. Larger markets generally have numerous producers competing for business on the basis of price, timing of delivery and reputation for quality and service.

Annual usage of ready-mixed concrete in the United States remains near record levels. According to information available from the National Ready-Mixed Concrete Association and F.W. Dodge, total sales from the production and delivery of ready-mixed concrete in the United States over the past three years were as follows (in millions):

2005	$ 33,219
2004	$ 29,109
2003	$ 26,938

As an important material for construction and repair, ready-mixed concrete historically benefited from relatively stable demand and pricing but has experienced significant price increases over the past 18 months, driven largely by strong construction activity and increases in cement prices.

According to recently published F.W. Dodge 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 2005:

Residential construction	34%
Commercial and industrial construction	19%
Street and highway construction and paving	18%
Other public works and infrastructure construction	29%

Historically, barriers to the start-up of a new ready-mixed concrete manufacturing operation were low. During the past several years, public concerns about dust, process water runoff, noise and heavy mixer and other truck traffic associated with the operation of ready-mixed concrete 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 ready-mixed concrete industry generally, see Risk Factors Our operating results may vary significantly from reporting period to reporting period and may be adversely affected by the seasonal and cyclical nature of the markets we serve and Management s Discussion and Analysis of Financial Condition and Results of Operations Overview in Item 7 of this report.

Significant Factors Impacting the Market for Ready-Mixed Concrete

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. In addition to favorable trends in the overall economy of the United States, we believe three significant factors have been expanding the market for ready-mixed concrete in particular:

- the increased level of industry-wide promotional and marketing activities;
- the development of new and innovative uses for ready-mixed concrete; and
- the enactment of federal highway funding legislation.

Industry-wide Promotional and Marketing Activities. We believe industry participants have only since the 1990s focused 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 resulted from an industry-wide initiative called RMC 2000, a program established in 1993 under the leadership of our chief executive officer, Eugene P. Martineau. The National Ready-Mixed Concrete Association, the industry s largest trade organization, has adopted this program. The program s principal goals have been to (1) promote ready-mixed concrete as a building and paving material, (2) improve the overall image of the ready-mixed concrete industry and (3) improve financial returns for producers of ready-mixed concrete. We believe RMC 2000 has been a catalyst for increased investment in the promotion of concrete.

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:

- concrete housing;
- precast modular paving stones;
- pre-stressed concrete railroad ties to replace wood ties;
- 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.

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 providing a long-lasting and aesthetically pleasing urban environment; and
- colored pavements to mark entrance and exit ramps and lanes of expressways.

Federal Highway Funding Legislation. In August 2005, President Bush signed a six-year, $244.1 billion transportation reauthorization act known as the Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users. The new law funds, among other things, federal bridge and highway construction programs. While we do not expect this new law to affect our revenues materially in 2006, we believe that the new law may lead to market opportunities for our products and a strong base for the public works construction segment for the future.

Our Business Strategy

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

Pursuing Disciplined Growth Through Acquisitions

The U.S. ready-mixed concrete industry, with over 2,300 small, independent producers, is a fragmented but increasingly consolidating industry. We believe these industry characteristics present growth opportunities for a company with a focused acquisition program and access to capital.

Our acquisition program targets opportunities for expanding in our existing markets and entering new geographic markets in the U.S. 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, as to the impact of any future acquisition we may complete on our future earnings per share.

Expanding in Existing Markets. We seek to further penetrate our markets by acquiring other well-established companies in those markets. We have completed follow-on acquisitions in substantially all of our ready-mixed concrete markets. By expanding in existing markets through acquisitions, we strive to:

- eliminate duplicate staff and facilities and reduce material and operating costs and other selling, general and administrative expenses;
- increase customer cross-selling opportunities; and
- improve utilization and range of mixer trucks through access to additional plants.

Entering New Geographic Markets. We seek to enter new geographic markets that demonstrate prospects for growth. In any new market we enter, we will target for acquisition one or more leading local or regional companies that can serve as platform businesses into which we can consolidate other operations. We generally expect these platform acquisition candidates to have historically successful operating results, established customer relationships and superior operational management personnel whom we will be able to retain.

We believe there are numerous potential acquisition candidates in our existing markets and in new markets. Although we have no binding agreement to effect any acquisition, we have experienced increases in inquiries and similar communications with brokers and other representatives of potential acquisition candidates over the past year, and we are currently evaluating several potential acquisitions. We are currently a party to several nonbinding letters of intent relating to potential acquisitions of ready-mixed concrete and related businesses. We expect the economic and other industry conditions supporting recent consolidation activity within the industry will continue into the foreseeable future.

Improving Marketing and Sales Initiatives

Our marketing strategy emphasizes the sale of value-added products to customers more focused on reducing their in-place building material costs than on the price per cubic yard of the ready-mixed concrete 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.

We have also formed strategic alliances with several national companies to provide alternative solutions for designers and contractors by using value-added concrete products. Through these alliances, we offer color-conditioned, fiber-reinforced and high-performance concretes and utilize software technology that can be used to design buildings constructed of reinforced concrete.

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Promoting Operational Excellence and Achieving Cost Efficiencies

We strive to be an operationally excellent organization by:

- 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 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:

- materials, through procurement and optimized mix designs;
- purchases of mixer trucks and other equipment, supplies, spare parts and tools;
- vehicle and equipment maintenance; and
- insurance and other risk management programs.

Products and Services

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. 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. 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, 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:

- to relieve internal pressure and increase resistance to cracking in subfreezing weather;
- to retard the hardening process to make concrete more workable in hot weather;
- to strengthen concrete by reducing its water content;
- to accelerate the hardening process and reduce the time required for curing; and
- to facilitate the placement of concrete having low water content.

We frequently use various mineral admixtures as supplementary cementing materials to alter the permeability, strength and other properties of concrete. These materials include fly ash, ground granulated blast-furnace slag and silica fume.

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

Precast Concrete. We produce precast concrete products at eight plants in three states, including six in California. Our precast concrete products consist of concrete we produce and then pour into molds at our plant sites. These operations produce a wide variety of specialized finished products, including specialty-engineered structures, custom signage, manholes, catch basins, highway barriers and curb inlets. After the concrete sets, we strip the molds from the products and ship the finished product to our customers. Because these products are not perishable, precast concrete plants can serve a much larger market than ready-mixed concrete plants. Our precast operations in northern California and Delaware are located near our ready-mixed concrete operations.

Building Materials. Our building materials operations supply various resale materials, products and tools contractors use in the concrete construction industry. These materials include rebar, 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, central New Jersey, Michigan and Delaware.

Aggregates. We produce crushed stone aggregates from our granite quarry in northern New Jersey. We sell these aggregates for use in commercial, residential and public works projects primarily in that area and in Orange County, New York. We acquired the quarry in January 2002 principally to expand our market presence in northern New Jersey and to provide crushed stone aggregates to third-party customers as well as to our existing ready-mixed concrete operations in that market. Production during 2005 was approximately 0.9 million tons, and we estimate the quarry has approximately 33 million tons of remaining reserves, assuming a 20% loss factor for unusable material. In addition, in connection with our December 2005 acquisition of substantially all the operating assets of Go-Crete and South Loop Development Corporation, we acquired a sand and gravel quarry in the Dallas/Fort Worth, Texas area. The aggregate quarry is situated on 2,100 acres and is estimated to have approximately 10 million tons of remaining aggregate reserves. These aggregate reserves provide us with additional raw materials sourcing flexibility and supply availability.

Concrete Masonry. We manufacture various shapes and sizes of concrete masonry, commonly known as concrete block, for use in various applications. We produced approximately 4.8 million units of concrete masonry during 2005 at our plants in Michigan, Delaware and New Jersey. All our concrete masonry plants are located near our ready-mixed operations and provide us cross-selling opportunities in those markets.

Operations

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 seven 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 markets that we expect will have a less consistent demand. A wet batch plant generally has a higher initial cost and daily operating expense but yields greater consistency with less time required for quality control in the concrete produced and generally has 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 10, 2006, our fixed batch plants included 21 wet batch plants and 79 dry batch plants. Of our seven portable plants, six are dry batch plants and one is a wet batch plant.

The batch operator in 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 the operator loads the already mixed concrete into the 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. A mixer truck typically has a load capacity of 10 cubic yards, or approximately 20 tons, and an estimated useful life of 12 years. A new truck of this size currently costs approximately $160,000. 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 March 10, 2006, we operated a fleet of approximately 1,120 mixer trucks, which had an average age of approximately 7.6 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 product throughout the placement process. On any given day, a particular plant 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.

The 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 washed; or
- en route to a particular plant.

The system is updated continuously via signals received from the individual truck operators as to their status. 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.

A plant manager oversees the operation of each plant. 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.

Cement and Other Raw Materials

We obtain most of the materials necessary to manufacture ready-mixed concrete on a daily basis. These materials include cement, which is a manufactured product, stone, gravel and sand. Each plant typically maintains an inventory level of these materials sufficient to satisfy its operating needs for a few days. Cement represents the highest cost material used in manufacturing a cubic yard of ready-mixed concrete, while the combined cost of the stone, gravel and sand used is slightly less than the cement cost. In each of our markets, we purchase each of these materials from several suppliers.

During the last three quarters of 2004, supplies of cement were tight in some of our markets as a result of increased demand for cement, lower inventories of cement, downtime at certain cement plants and insufficient availability to increase imports of cement. This shortage curtailed some sales of our ready-mixed concrete, and cement prices increased, which adversely affected our gross margins. During the first quarter of 2005, cement shortages temporarily abated, although tightness of supply brought about by strong domestic consumption and insufficient availability of imported cement resulted in a continuation of the cement price increases experienced in the prior year. During the remainder of 2005, these conditions persisted and we experienced further increases in cement prices in the majority of our markets. In the second quarter of 2005, we experienced cement shortages in our north Texas market that had a negative impact on our operating results through both decreased sales and higher cost of raw materials. Because of expected continued strong domestic consumption and insufficient availability of cement in certain markets, we could experience continued shortages in future periods, which could adversely affect our operating results, through both decreased sales and higher cost of raw materials.

Marketing and Sales

General contractors typically select their suppliers of ready-mixed 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 ready-mixed concrete to product quality and consistency and reducing the in-place cost of concrete.

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Customers

Of our 2005 sales, we made approximately 42% to commercial and industrial construction contractors, 46% to residential construction contractors, 3% to street and highway construction contractors and 9% to other public works and infrastructure contractors. In 2005, no single customer or project accounted for more than 3% of our total sales.

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 industry is highly competitive. Our competitive position in a market depends largely on the location and operating costs of our ready-mixed concrete plants and prevailing prices in that market. Price is the primary competitive factor among suppliers for small or simple jobs, principally in residential construction, while 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 also may have competitive advantages over us. See 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 1, 2006, we had approximately 511 salaried employees, including executive officers and management, sales, technical, administrative and clerical personnel, and approximately 1,834 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 1, 2006, approximately 878 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 2006 and 2010. 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.

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 on the quality of our recruiting, training, compensation and benefits, the opportunities we afford for advancement and our safety record. 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 and other delivery personnel to participate in training seminars. We employ a national safety director whose responsibilities include managing and executing a unified, company-wide safety program.

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 investigations to assess environmental conditions 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. OSHA regulations establish requirements our training programs must meet.

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 2005. 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.

Product Warranties

Our operations involve providing ready-mixed and other concrete formulations 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 product, 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 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 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 13 to our Consolidated Financial Statements included in this report.

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 I 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;

differentiate ourselves in a competitive market by emphasizing new product development and value-added sales and marketing;

hire and retain employees; and

reduce 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 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 business is seasonal. In particular, demand for our products and services during the winter months is 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 ready-mixed concrete 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 for ready-mixed concrete and other concrete products. Our results also may be materially affected by:

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

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 entering new geographic markets through the acquisition of additional ready-mixed concrete 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 ready-mixed concrete plants and prevailing prices in that market. Generally, ready-mixed concrete is 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, while 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 and homebuilders. As a result, we depend on local relationships.

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 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 lease properties, 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 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.

During the last three quarters of 2004, supplies of cement were tight in some of our markets as a result of increased demand for cement, lower inventories of cement, downtime at certain cement plants and insufficient availability to increase imports of cement. This shortage curtailed some sales of our ready-mixed concrete, and cement prices increased, which adversely affected our gross margins. During the first quarter of 2005, cement shortages temporarily abated, although tightness of supply brought about by strong domestic consumption and insufficient availability of imported cement resulted in a continuation of the cement price increases experienced in the prior year. In the second and third quarters of 2005, these conditions persisted and we experienced further increases in cement prices in the majority of our markets. During the second quarter of 2005, we experienced cement shortages in our north Texas market that had a negative impact on our operating results through both decreased sales and higher cost of raw materials. Because of expected continued strong domestic consumption and insufficient availability of cement in certain markets, we could experience continued shortages in future periods, which could adversely affect our operating results, through both decreased sales and higher cost of raw materials.

Throughout 2005, our product pricing for ready-mixed concrete continued to increase in most of our markets. These price increases have allowed us to absorb the rising cost of raw materials (primarily cement and aggregates). However, gains on increased prices were offset in part by higher labor, freight and delivery costs, including rising diesel fuel costs. With the national average of diesel fuel prices having risen 33% in 2005 as compared to 2004, we have experienced both increased freight charges for our raw materials, in the form of fuel surcharges, and increased cost to deliver our products. As these costs have become more significant over the last two years, we have instituted fuel surcharges in most of our markets in an attempt to cover these rising costs. 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 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 California Regional Water Quality Control Board for the Central Valley Region delayed approval of the order to provide the Construction Materials Association of California and various concrete producers time to provide certain information to it 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.

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 properties, 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.

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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, and our business growth will necessitate the successful hiring of new senior managers and executive officers.

We depend on the continued efforts of our executive officers and, in many cases, on senior management of our businesses. Our success will depend on recruiting new senior-level managers and officers, and we cannot be certain that we can recruit and retain such additional managers and officers. To the extent we are unable to manage our growth effectively or 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-person 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 1, 2006, approximately 37% of our employees were covered by collective bargaining agreements, which expire between 2006 and 2010. Of particular note, 335 of our employees are covered by collective bargaining agreements that expire in 2006. Our inability to negotiate acceptable new contracts or extensions of existing contracts with these unions could cause strikes or other 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 strikes or other 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 lead to conflicts between union and nonunion employees or 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 17 multiemployer pension plans. 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 limited information available from plan administrators, which we cannot independently validate, 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 would be material to our financial position, results of operations and cash flows.

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

Generally, ready-mixed concrete is 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 financial condition, results of operations and cash flows.

Our net sales 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.

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 assets acquired. We periodically test our recorded goodwill for impairment and charge expense with any impairment we recognize, but do not otherwise amortize that goodwill.

As of December 31, 2005, goodwill represented approximately 37% 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. That facility provides us a borrowing capacity of up to $105 million. 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, 2005, no borrowings were outstanding under the credit facility and the amount of the available credit was approximately $86.4 million, net of outstanding letters of credit of $14.1 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, 2005, we had approximately $201 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 and 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.

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 will 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 $200 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.

In addition, 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.

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 1B. Unresolved Staff Comments

None.

Item 2. ***Properties***

Facilities

The table below lists our concrete plants as of March 10, 2006. We believe these plants are sufficient for our current needs. The ready-mixed concrete volumes shown are the volumes each location produced in 2005, 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 of cubic yards)
	Fixed	Portable	Total	Precast Plants	Block Plants	
Locations:						
Northern California	21	2	23	5		1,833
Atlantic Region	23	3	26	1	2	1,423
North Texas/Southwest Oklahoma	22	1	23			896
Michigan	14		14		1	714
Tennessee/Northern Mississippi	20	1	21			432
Southern California/Arizona				2		
	100	7	107	8	3	5,298

The fixed plants listed above are located on approximately 40 sites we own and 60 sites we lease. The lease terms vary from 2006 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 also produce crushed stone aggregates from our granite quarry in northern New Jersey. Production during 2005 was approximately 0.9 million tons, and we estimate the quarry has approximately 33 million tons of remaining reserves, assuming a 20% loss factor for unusable material. In addition, in connection with our December 2005 acquisition of substantially all the operating assets of Go-Crete and South Loop Development Corporation, we acquired a sand and gravel quarry in the Dallas/Fort Worth, Texas area. The aggregate quarry is estimated to have approximately 10 million tons of remaining aggregate reserves, assuming a 10% loss factor for unusable material. In December 2005, we produced approximately 36,000 tons of sand and other aggregates from this quarry.

Equipment

As of March 10, 2006, we operated a fleet of approximately 1,120 owned and leased mixer trucks and 697 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 7.6 years.

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

Item 3. ***Legal Proceedings***

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

We believe that the resolution of all litigation currently pending or threatened against us or any of our subsidiaries should not have a material adverse effect on our business, financial condition, results of operations or cash flows; however, because of the inherent uncertainty of litigation, we can provide no assurance that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our consolidated financial condition, results of operations or liquidity for the fiscal period in which that resolution occurs.

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 2005.

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 National Market under the symbol RMIX. As of March 10, 2006, shares of our common stock were held by approximately 996 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 National Market on March 10, 2006 was $12.48 per share. The following table sets forth, for the periods indicated, the range of high and low sales prices for our common stock:

	2005		2004	
	High	**Low**	**High**	**Low**
First Quarter	$ 8.98	$ 5.07	$ 7.35	$ 5.69
Second Quarter	7.00	5.12	7.20	5.18
Third Quarter	8.11	6.24	7.20	5.61
Fourth Quarter	9.50	5.78	7.85	6.08

We have not paid or declared any dividends since our formation and currently intend to retain 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 8 to our Consolidated Financial Statements in this report.

Equity Compensation Plan Information

For information regarding our equity compensation plans, including both stockholder-approved plans and plans not approved by our stockholders, see Item 12 of this report.

Issuer Purchases of Equity Securities

In the fourth quarter of 2005, we purchased 8,582 shares of our common stock in private transactions from 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. The following table provides information regarding those repurchases:

Calendar Month	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
November 2005	8,217	$6.10	None	None
December 2005	365	$8.80	None	None

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				
	2005	2004[1]	2003	2002[2]	2001
	(in thousands, except per share amounts and selling prices)				
Statement of Operations Data:					
Sales	$ 575,655	$ 500,589	$ 473,124	$ 503,314	$ 493,591
Income (loss) before cumulative effect of accounting change	$ 12,612	$ (10,539)	$ 10,303	$ (4,038)	$ 9,545
Net income (loss)	$ 12,612	$ (10,539)	$ 10,303	$ (28,366)	$ 9,545
Earnings (Loss) Per Share Data:					
Basic income (loss) per share before cumulative effect of accounting change	$ 0.44	$ (0.37)	$ 0.37	$ (0.15)	$ 0.39
Diluted income (loss) per share before cumulative effect of accounting change	$ 0.43	$ (0.37)	$ 0.37	$ (0.15)	$ 0.39
Basic income (loss) per share	$ 0.44	$ (0.37)	$ 0.37	$ (1.06)	$ 0.39
Diluted income (loss) per share	$ 0.43	$ (0.37)	$ 0.37	$ (1.06)	$ 0.39
Balance Sheet Data (at end of period):					
Total assets	$ 494,043	$ 449,159	$ 400,974	$ 382,222	$ 430,836
Total debt (including current maturities)	$ 201,571	$ 200,777	$ 155,039	$ 161,808	$ 163,775
Total stockholders equity	$ 184,921	$ 168,849	$ 176,711	$ 161,845	$ 188,315
Statement of Cash Flow Data:					
Net cash provided by operating activities	$ 41,358	$ 34,423	$ 26,692	$ 34,933	$ 44,874
Net cash used in investing activities	$ (58,692)	$ (11,597)	$ (17,259)	$ (36,489)	$ (58,387)
Net cash provided by (used in) financing activities	$ 1,281	$ 9,770	$ (7,007)	$ (886)	$ 19,929
Ready-mixed Concrete Data:					
Average selling price per cubic yard	$ 85.15	$ 76.38	$ 73.34	$ 73.71	$ 73.57
Sales volume in cubic yards	5,298	5,052	5,026	5,215	5,394

(1) The 2004 results include a loss on early extinguishment of debt of $28.8 million ($18.0 million, net of tax), 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. See Note 8 to our Consolidated Financial Statements in this report.

(2) The 2002 results include restructuring and impairment charges of $28.4 million ($18.9 million, net of tax). Effective the beginning of 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, and, accordingly, ceased amortization of goodwill and recorded a transitional goodwill impairment charge of $24.3 million ($0.91 per share), net of tax, presented as a cumulative effect of accounting change.

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.

Overview

We derive substantially all our revenues from the sale of ready-mixed concrete, other concrete products and related construction materials to the construction industry in the United States. We typically sell ready-mixed concrete under purchase orders that require us to formulate, prepare and deliver the product to our customers job sites. We recognize sales from these orders when we deliver the ordered products. The principal states in which we operate are California (43% of 2005 sales and 42% of 2004 sales), New Jersey (18% of 2005 sales and 17% of 2004 sales), Michigan (10% of 2005 sales and 12% of 2004 sales) and Texas (10% of 2005 sales and 8% of 2004 sales). We serve substantially all segments of the construction industry in our markets, and our customers include contractors for commercial and industrial, residential, street and highway and public works construction. The approximate percentages of our concrete product sales by construction type activity were as follows in 2005 and 2004:

	2005	2004
Residential	46%	41%
Commercial and industrial	42%	38%
Street and highway	3%	6%
Other public works	9%	15%

The markets for our products generally are local, and our operating results are subject to swings in the level and product mix of construction activity that occur in our markets. The level of activity affects the demand for our products, while the product mix among the various segments of the construction industry affects both our relative competitive strengths and our operating margins, as ready-mixed concrete sold for commercial and industrial construction is generally more technical and, therefore, more profitable than that sold for residential construction. Commercial and industrial jobs also provide ready-mixed concrete producers more opportunities to sell value-added concrete mix designs for various high performance requirements that often include admixtures, such as chemicals, minerals and fibers, or color conditioning additives.

The ready-mixed concrete business is subject to seasonal variations. In particular, demand for our products and services during the winter months is typically lower than in other months of the year because of inclement weather. In addition, sustained periods of inclement weather and other weather conditions could postpone or delay projects in our markets.

During the first four months of 2005, we experienced sustained adverse weather conditions and permitting delays that exceeded historical norms for this period, primarily in our California markets, which resulted in lower-than-expected sales volume during that period. In the following eight months, we experienced more normalized weather conditions, which enabled us to begin to achieve production levels and related efficiencies more consistent with management s expectations. Should we experience sustained adverse weather in our markets in the future, our sales volumes and results of operations would be adversely affected.

During the last three quarters of 2004, supplies of cement were tight in some of our markets as a result of increased demand for cement, lower inventories of cement, downtime at certain cement plants and insufficient availability to increase imports of cement. This shortage curtailed some sales of our ready-mixed concrete, and cement prices increased, which adversely affected our gross margins. During the first quarter of 2005, cement shortages temporarily abated, although tightness of supply brought about by strong domestic consumption and insufficient availability of imported cement resulted in a continuation of the cement price increases experienced in the prior year. During the remainder of 2005, these conditions persisted and we experienced further increases in cement prices in the majority of our markets. In the second quarter of 2005, we experienced cement shortages in our north Texas market that had a negative impact on our operating results through both decreased sales and higher cost of raw materials. Because of expected continued strong domestic consumption and insufficient availability of cement in certain markets, we could experience continued shortages in future periods, which could adversely affect our operating results, through both decreased sales and higher cost of raw materials.

Throughout 2005, our product pricing for ready-mixed concrete continued to increase in most of our markets. These price increases have allowed us to absorb the rising cost of raw materials (primarily cement and aggregates). However, gains on increased prices were offset in part by higher labor, freight and delivery costs, including rising diesel fuel costs. Diesel fuel prices peaked in the third quarter of 2005 in the aftermath of Hurricane Katrina and declined somewhat over the fourth quarter of 2005, with the national average of diesel fuel prices ending the year 33% above 2004.

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As a result of these fuel price increases, we have experienced both increased freight charges for our raw materials in the form of fuel surcharges and increased cost to deliver our products. As these costs have become more significant over the last two years, we have instituted fuel surcharges in most of our markets in an attempt to cover these rising costs. 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.

Our cost of goods sold consists principally of the costs we incur in obtaining the cement, aggregates and admixtures we combine to produce ready-mixed concrete and other concrete products. We obtain most of these materials from third parties and generally have only a few days supply at each of our plants. These costs vary with our levels of production. Our cost of goods sold also includes labor costs, primarily for delivery personnel, and insurance costs and the operating, maintenance and rental expenses we incur in operating our plants, mixer trucks and other vehicles.

Since our inception in 1999, our growth strategy has contemplated acquisitions. We purchased one business in 2003, one business in 2004 and three businesses in 2005, all of which we have accounted for in accordance with the purchase method of accounting. Please read Liquidity and Capital Resources Acquisitions for further information regarding our recent 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.

Risks and Uncertainties

Numerous factors could affect our future operating results, including the factors discussed under the heading Risk Factors in Item 1A 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.

Accounting Rules and Regulations. We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. 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 share-based payments,
- accounting for income taxes; and
- accounting for business combinations and related goodwill.

In particular, the Financial Accounting Standards Board (the FASB) recently adopted Statement of Financial Accounting Standards (SFAS) No. 123R, which will require us to expense the fair value of our stock option grants and stock purchases under our employee stock purchase plan rather than disclose the impact on the consolidated net income in the footnotes to our consolidated financial statements. See Recent Accounting Pronouncements and Note 1 to the Consolidated Financial Statements included in this report for a discussion of SFAS No. 123R.

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 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 $3.5 million as of December 31, 2005 and $2.3 million as of December 31, 2004.

Goodwill

We record as goodwill the amount by which the total purchase price we pay for our acquisitions exceeds our estimated fair value of the net assets we acquire. We test our recorded goodwill annually for impairment and charge income with any impairment we recognize, but we do not otherwise amortize that goodwill. The impairment test we use consists of comparing our estimates of the current fair values of our reporting units with their carrying amounts. We use a variety of valuation approaches, primarily the discounted future cash flow approach, to arrive at these estimates. These approaches entail making numerous assumptions respecting future circumstances, such as general or local industry or market conditions, and, therefore, are uncertain. We did not record a goodwill impairment charge in 2003, 2004 or 2005. We can provide no assurance that future goodwill impairments will not occur. Our goodwill balance was $181.8 million as of December 31, 2005 and $166.6 million as of December 31, 2004. See Note 2 to the Consolidated Financial Statements in this report for further discussion.

Insurance Programs

We maintain third-party insurance coverage in amounts and against the risks we believe are reasonable. Under our current insurance programs, we share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. Currently, our workers compensation per occurrence retention is $1.0 million and our automobile and general liability per occurrence retention is $0.5 million. 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 $9.7 million as of December 31, 2005 and $8.7 million as of December 31, 2004, 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 would provide for a valuation allowance.

We have significant deferred tax assets, resulting from net operating loss carryforwards and 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. Subsequently recognized tax benefits associated with valuation allowances, recorded in connection with a business combination, will be recorded as an adjustment to goodwill. We recorded no valuation allowance at December 31, 2005 or December 31, 2004.

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 value 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.

Properties, Plant and Equipment, Net

We state our properties, 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 properties, 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 value of long-lived assets to our projection of future undiscounted cash flows attributable to those assets. If the carrying value exceeds the future undiscounted cash flows, 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 sales for the years indicated.

	Year Ended December 31								
	2005			2004			2003		
	(amounts in thousands, except selling prices)								
Sales	$	575,655	100.0%	$	500,589	100.0%	$	473,124	100.0%
Cost of goods sold before depreciation, depletion and amortization		472,010	82.0		412,262	82.4		388,717	82.2
Selling, general and administrative expenses		54,028	9.4		48,110	9.6		42,550	9.0
Depreciation, depletion and amortization		13,591	2.3		12,669	2.5		12,441	2.6
Income from operations		36,026	6.3		27,548	5.5		29,416	6.2
Interest income		857	0.1		180			241	0.1
Interest expense		18,172	3.1		16,703	3.3		17,096	3.6
Loss on early extinguishment of debt					28,781	5.7			
Other income, net		2,022	0.3		840	0.1		3,016	0.6
Income (loss) before income tax provision		20,733	3.6		(16,916)	(3.4)		15,577	3.3
Income tax provision (benefit)		8,121	1.4		(6,377)	(1.3)		5,274	1.1
Net income (loss)	$	12,612	2.2%	$	(10,539)	(2.1)%	$	10,303	2.2%
Ready-mixed Concrete Data:									
Average selling price per cubic yard	$	85.15		$	76.38		$	73.34	
Sales volume in cubic yards		5,298			5,052			5,026	

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Sales. Sales increased $75.1 million, or 15.0%, from $500.6 million in 2004 to $575.7 million in 2005. The increase was primarily attributable to an 11.5% increase in the average sales price of ready-mixed concrete, a 4.8% increase in ready-mixed concrete sales volume, and an 8.6% increase in other sales. The price improvement in 2005 resulted from continued strength in the residential construction market, as well as an improving non-residential construction market which was reflective of the strength of the overall economy in 2005.

Cost of goods sold before depreciation, depletion and amortization. Cost of goods sold before depreciation, depletion and amortization increased $59.7 million, or 14.5%, from $412.3 million in 2004 to $472.0 million in 2005. The increase was primarily attributable to raw materials cost increases (primarily cement and aggregates) and increased sales volumes of ready-mixed concrete in 2005 as compared to 2004.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $6.0 million, or 12.3%, from $48.1 million in 2004 to $54.0 million in 2005. This increase was attributable to higher compensation expenses, including incentive and stock-based compensation expenses, higher professional fees and provision for bad debts.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased $0.9 million, or 7.3%, from $12.7 million in 2004 to $13.6 million in 2005. The increase was primarily attributable to higher capital expenditures in 2005 as compared to 2004.

Interest Income. Interest income increased $0.7 million from $0.2 million in 2004 to $0.9 million in 2005, primarily as a result of a higher average cash balance in 2005 as compared to 2004.

Interest expense. Interest expense increased $1.5 million, or 8.8%, from $16.7 million in 2004 to $18.2 million in 2005. The 2004 period included the benefit of an interest rate swap for the full year, which reduced interest expense by $1.4 million. In June 2005, the interest rate swap agreements were terminated. We describe the impact of this termination under Liquidity and Capital Resources Interest Rate Swaps. The weighted average interest rate on our debt was 8.3% at December 31, 2005, as compared to 7.5% as of December 31, 2004.

Loss on early extinguishment of debt. As a result of our refinancings we describe under Liquidity and Capital Resources Senior Subordinated Notes, we recognized an ordinary loss in 2004 on early extinguishment of debt of $28.8 million, which consisted of $25.9 million in premium payments to redeem our prior senior subordinated notes and a write-off of $2.9 million of debt issuance costs associated with our debt repayments. We had no such loss in 2005.

Other income, net. Other income, net, increased $1.2 million, from $0.8 million in 2004 to $2.0 million in 2005. The increase was primarily attributable to a $0.8 million gain from the sale of an FCC license.

Income tax provision. We recorded a provision for income taxes of $8.1 million in 2005 compared to a benefit for income taxes of $6.4 million in 2004. The income tax benefit was attributable to the loss on early extinguishment of debt in 2004. Our estimated annualized effective tax rate was 39% for the full year ended December 31, 2005 and 38% for the full year ended December 31, 2004. The effective income tax rate for 2005 was higher than the federal statutory rate due primarily to state income taxes.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Sales. Sales increased $27.5 million, or 5.8%, from $473.1 million in 2003 to $500.6 million in 2004. The increase was primarily attributable to a 9.7% increase in the volume of other concrete product sales and a 4.1% increase in average selling price of ready-mixed concrete. The price improvement was primarily due to a stable residential construction market and moderate improvements in nonresidential construction in most of our markets during 2004, reflecting the general state of the overall economy, and employment levels in the United States. Adverse weather conditions in the fourth quarter of 2004, particularly in northern California, resulted in lower sales volumes.

Cost of goods sold before depreciation, depletion and amortization. Cost of goods sold before depreciation, depletion and amortization increased $23.5 million, or 6.0%, from $388.7 million in 2003 to $412.3 million in 2004. This increase was primarily related to the rise in cement, raw material, labor, insurance and diesel fuel costs during the year. In 2003, cost of goods sold before depreciation, depletion and amortization included a $1.1 million correction of an inventory overstatement.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $5.6 million, or 13.1%, from $42.6 million in 2003 to $48.1 million in 2004. This increase was attributable to asset impairments and write-downs related to properties and equipment ($0.7 million), increases in professional fees ($1.5 million), and higher salary and benefit expenses ($2.5 million) in 2004, primarily due to higher stock-based and incentive-based compensation and group health insurance costs.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased $0.3 million, or 1.8%, from $12.4 million in 2003 to $12.7 million in 2004.

Interest expense. Our interest rate swap agreements reduced interest expense by approximately $1.4 million in 2004. Interest expense decreased $0.4 million, or 2.0%, from $17.1 million in 2003 to $16.7 million in 2004, as a result of our 2004 refinancings and interest rate swaps. As of December 31, 2004, we had outstanding borrowings totaling $200.0 million, as compared to $155.0 million as of December 31, 2003. Our weighted average interest rate was 7.5%, after giving effect to our interest rate swaps, as of December 31, 2004, as compared to 9.0% as of December 31, 2003.

Loss on early extinguishment of debt. As a result of our refinancings we describe under Liquidity and Capital Resources Senior Subordinated Notes, we recognized an ordinary loss in 2004 on early extinguishment of debt of $28.8 million, which consisted of $25.9 million in premium payments to redeem our prior senior subordinated notes and a write-off of $2.9 million of debt issuance costs associated with our debt repayments.

Other income, net. Other income, net, decreased to $2.2 million, or 72.1%, from $3.0 million in 2003 to $0.8 million in 2004. This decrease was primarily attributable to a $2.0 million settlement we recorded in 2003 in connection with a claim we filed against the former owners of a subsidiary in our Atlantic Region. For additional information, see Note 4 to our Consolidated Financial Statements in this report.

Income tax provision. We recorded a benefit for income taxes of $6.4 million in 2004, compared to a provision for income taxes of $5.3 million in 2003. The 2004 benefit resulted principally from the taxable loss generated from our 2004 debt refinancings. Our effective tax rate was 37.7% for 2004 and 33.9% for 2003. The effective income tax rate for 2004 was greater than the federal statutory rate due primarily to state income tax benefits and nontaxable settlement income increasing the federal tax benefit related to the estimated current year loss.

Liquidity and Capital Resources

Our primary short-term liquidity needs consist of financing seasonal working capital requirements, purchasing properties and equipment and paying cash interest expense under our 8 3/8% senior subordinated notes due in April 2014 and cash interest expense, if any, under our senior secured revolving credit facility that expires in March 2009. In addition to cash and cash equivalents of $23.7 million at December 31, 2005 and cash from operations, our senior secured revolving credit facility provides us with a significant source of liquidity. That facility provides us a borrowing capacity of up to $105 million. 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, 2005, no borrowings were outstanding under the revolving credit facility and the amount of that available credit was approximately $86.4 million, net of outstanding letters of credit of $14.1 million. Our working capital needs typically increase in the second and third quarters to finance the increases in accounts receivable during those periods and the cash interest payment on our 8 3/8% senior subordinated notes due on April 1 of each year. Generally, in the fourth quarter of each year, our working capital borrowings begin to decline and then are paid down to their lowest annual levels in the first quarter of the following year.

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

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

any decline in gross margins due to shifts in our project mix; 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 our credit facility and the indenture governing our 8 3/8% senior subordinated notes;

volatility in the markets for corporate debt; and

fluctuations in the market price of our common stock or 8 3/8% senior subordinated notes.

The following key financial measurements reflect our financial position and capital resources as of December 31, 2005, 2004 and 2003 (dollars in thousands):

	2005	2004	2003
Cash and cash equivalents	$ 23,654	$ 39,707	$ 7,111
Working capital[1]	$ 64,183	$ 89,647	$ 37,941
Total debt [2]	$ 201,571	$ 200,000	$ 155,039
Available credit [3]	$ 86,400	$ 75,900	$ 7,000
Debt as a percent of capital employed	52.2%	54.2%	46.7%

(1)At December 31, 2003, current maturities of long-term debt reduced our working capital by $13.6 million.
(2)The interest rate swap mark-to-market adjustments of $0.8 million in 2004 are not included in the total debt.
(3) Based on eligible borrowing base in 2005 and 2004, net of outstanding letters of credit, and maximum leverage ratios in 2003.

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

Senior Secured Credit Facility

The borrowings under our credit facility are limited based on a portion of the net amounts of our eligible accounts receivable, inventory and mixer trucks. At our option, these borrowings will bear annual interest at either the Eurodollar-based rate (LIBOR) plus 2.25%, or the domestic rate plus 0.75% as of December 31, 2005. The interest rate margins will vary inversely with the amount of unused borrowing capacity available under the facility. We pay commitment fees at an annual rate of 0.375% on the unused portion of the facility.

Our subsidiaries have guaranteed the repayment of all amounts owing under our credit facility. In addition, we have collateralized the facility with the capital stock and substantially all the assets of our subsidiaries, excluding minor subsidiaries without operations or material assets, and substantially all the assets of those subsidiaries, excluding most of the assets of our aggregate quarry in New Jersey. 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 our business, changes to charter documents and affiliate transactions. It also limits capital expenditures to 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 $15 million. The credit agreement provides that specified change of control events would constitute events of default under the agreement.

At December 31, 2005, no borrowings were outstanding under the revolving credit facility, and we had used $14.1 million of availability under the credit agreement for letters of credit. The credit agreement limits our ability to incur additional debt primarily to the greater of (1) the borrowings available under our credit facility, plus $20 million, or (2) additional debt if, after giving effect to its incurrence, our total debt does not exceed three times our earnings before interest, taxes, depreciation, amortization and certain noncash items.

Senior Subordinated Notes

On March 31, 2004, we issued and sold, through a private placement, $200 million of 8 3/8% senior subordinated notes maturing April 1, 2014. Interest on these notes is payable semiannually 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 outstanding debt under our senior secured credit facility. We paid $122.5 million to redeem our prior 12% senior subordinated notes, including a prepayment premium of $25.9 million, plus all accrued and unpaid interest through the redemption date of $1.6 million.

Our subsidiaries, excluding minor subsidiaries, have jointly and severally and fully and unconditionally guaranteed the repayment of our outstanding senior subordinated notes.

The indenture governing these notes limits our ability and that 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. At any time prior to April 1, 2007, we may redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 108.375% of their principal amount, plus accrued interest, with the net cash proceeds from certain equity offerings. In addition, 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 our business or used to pay senior debt and (2) all the notes following the occurrence of a change of control. Our senior secured credit agreement prohibits these repurchases.

On May 13, 2004, we filed a registration statement with the SEC, which became effective on June 22, 2004, pursuant to which we exchanged our outstanding $200 million 8 3/8% senior subordinated notes for notes that are substantially identical, except that the offering of the new notes was registered under the Securities Act of 1933.

As a result of restrictions contained in the indenture relating to the 8 3/8% senior subordinated notes, our ability to incur additional debt is primarily limited to the greater of (1) borrowings available under our senior secured credit facility, plus the greater of $15 million or 7.5% of our tangible assets, or (2) additional debt if, after giving effect to such incurrence of such additional debt, our earnings before interest, taxes, depreciation, amortization and certain noncash items equals or exceeds two times our total interest expense.

Interest Rate Swaps

Effective April 16, 2004, we entered into interest rate swap agreements that had the economic effect of modifying the interest obligations associated with $70 million of our 8 3/8% senior subordinated notes, such that the interest payable on these notes effectively was to become variable based on the six-month LIBOR rate, set on April 1 and October 1 of each year. We terminated these interest rate swap agreements in June 2005. The swaps had been designated as fair-value hedges and had no ineffective portion. The notional amounts of the swaps matched the principal amounts of the hedged portion of the notes, and the termination dates of the swaps matched the maturity date of the 8 3/8% senior subordinated notes. As a result of the swaps, the interest rate on the hedged portion of the notes was LIBOR plus 3.16%. The swap agreements were marked to market each quarter, with a corresponding mark-to-market adjustment reflected as either a discount or premium on the 8 3/8% senior subordinated notes. Because the swap agreements were considered an effective fair-value hedge, there was no affect on our results of operations from these adjustments while the swap agreements were in effect. Upon termination of these interest rate swap agreements, we received $2.2 million in cash as settlement proceeds. The cash proceeds have been included in changes in operating assets and liabilities, excluding effects of acquisitions within the accompanying Consolidated Statements of Cash Flows. The cash received has been recorded against the fair values of the respective agreements and the resulting net gain of $2.0 million is being amortized over the remaining life of the underlying debt instruments as an adjustment to interest expense. There were no interest rate swap agreements outstanding as of December 31, 2005. During the year ended December 31, 2005, the interest rate swap agreements reduced our interest expense by approximately $0.5 million.

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 3/8% senior subordinated notes at December 31, 2005 was approximately $200 million and $215 million in 2004.

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. Debt ratings and outlooks as of March 10, 2006 were as follows:

	Rating	Outlook
Moody s		
Senior subordinated notes	B3	
Issuer rating	B2	Stable
Senior implied rating	B1	
Standard & Poor s		
Senior subordinated notes	B-	
Corporate credit	B+	Stable

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 2006, our capital expenditures are expected to be in the range of $30 million to $35 million. However, depending on the percentage of equipment acquired under operating leases, our capital expenditures could be in the range of $20.0 to $25.0 million. In recent years, we have 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 2006, we expect to purchase a greater percentage of this equipment, primarily as a result of our ability to recover the associated tax benefits.

Our management believes, on the basis of current expectations, that our cash on hand, internally generated cash flow and borrowings under our credit facility will be sufficient to provide the liquidity necessary to fund our operations and meet our planned capital expenditure and debt-service requirements for at least the next 12 months.

Cash Flow

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

	Year Ended December 31		
	2005	2004	2003
Operating activities	$ 41,358	$ 34,423	$ 26,692
Investing activities	(58,692)	(11,597)	(17,259)
Financing activities	1,281	9,770	(7,007)
Net cash provided by (used in) operating, investing and financing activities	$ (16,053)	$ 32,596	$ 2,426

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 $41.4 million in the year ended December 31, 2005 increased $6.9 million from the net cash provided in the year ended December 31, 2004. This increase is principally a result of higher operating income, higher income tax refunds and proceeds from the early termination of the interest rate swap agreements, partially offset by higher interest payments. Net cash provided by operating activities of $34.4 million in the year ended December 31, 2004 increased $7.7 million from the net cash provided in the year ended December 31, 2003. This increase reflected the receipt of approximately $5.0 million in cash collateral previously used for our insurance retention programs, lower interest payments in 2004 and the timing of accounts payable payments at December 31, 2004, partially offset by increases in accounts receivable and inventory at December 31, 2004, as compared to the end of the prior year.

Net cash used by investing activities of $58.7 million in the year ended December 31, 2005 increased $47.1 million from the net cash used in the year ended December 31, 2004, primarily because of acquisitions we made in 2005. Capital expenditures increased by $7.5 million during the year ended December 31, 2005. Our net cash used for investing activities of $11.6 million in the year ended December 31, 2004 decreased $5.7 million from the net cash used in the year ended December 31, 2003, primarily because of an acquisition we made in 2003. Capital expenditures decreased by $2.8 million during the year ended December 31, 2004, with this decrease offset by asset disposition activities.

Our net cash provided from financing activities of $1.3 million in the year ended December 31, 2005 decreased $8.5 million from the net cash used in the year ended December 31, 2004. This decrease was primarily attributable to our March 2004 refinancing activities, partially offset by the proceeds from the exercise of stock options and shares sold to employees under our employee stock purchase plan during the year ended December 31, 2005. As a result of these activities, cash and cash equivalents, which totaled $23.7 million at December 31, 2005, decreased $16.1 million from December 31, 2004. Our net cash provided by financing activities of $9.8 million in the year ended December 31, 2004 increased $16.8 million from the net cash used in the year ended December 31, 2003. This increase was primarily attributable to our March 2004 refinancing activities, proceeds from the exercise of stock options and shares sold to employees under our employee stock purchase plan, partially offset by repurchases of shares during the year ended December 31, 2004.

We define free cash flow as net cash provided by operating activities less purchases of properties, plant and equipment (net of disposals). Free cash flow is a liquidity measure not prepared in accordance with generally accepted accounting principles (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		
	2005	**2004**	**2003**
Net cash provided by operating activities	$ 41,358	$ 34,423	$ 26,692
Less: Purchases of properties and equipment, net of disposals of $713, $608, and $2,587	(17,253)	(9,839)	(10,700)
Free cash flow	$ 24,105	$ 24,584	$ 15,992

Acquisitions

In December 2005, we acquired substantially all of the operating assets of Go-Crete and South Loop Development Corporation, which produce and deliver ready-mixed concrete from six plants and mine sand and gravel from a quarry in the greater Dallas/Fort Worth, Texas market. We purchased the assets for approximately $27.3 million in cash and assumed certain capital lease liabilities with a net present value of about $2.0 million.

In November 2005, we acquired substantially all the operating assets, including real property, of City Concrete Company, City Concrete Products, Inc. and City Transports, Inc., which produce and deliver ready-mixed concrete from five plants in the greater Memphis, Tennessee and northern Mississippi area, for approximately $14.3 million in cash.

In January 2005, we acquired a small ready-mixed concrete operation in Knoxville, Tennessee. The purchase price was approximately $1.0 million in cash.

In December 2004, we acquired Riefkohl Contracting LLC, which provides precast concrete installation services in the greater Phoenix, Arizona market. The purchase price was approximately $2.2 million, comprised of $1.7 million in cash, and 73,489 shares of our common stock (valued at $0.5 million)

In February 2003, we acquired Builders Redi-Mix, Inc., which produces and distributes ready-mixed concrete in the greater Lansing, Michigan market. The purchase price was approximately $10.3 million, comprised of $6.0 million in cash, net of cash acquired, and 920,726 shares of our common stock (valued at $4.3 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 13 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, 2005 (in millions).

Contractual obligations	**Total**	**Less Than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Principal on debt	$ 200.0	$	$	$	$ 200.0
Interest on debt [1]	142.4	16.8	33.5	33.5	58.6
Capital leases [2]	2.1	1.6	0.5		
Operating leases	43.9	9.6	16.8	10.5	7.0
Total	$ 388.4	$ 28.0	$ 50.8	$ 44.0	$ 265.6

(1) Interest payments due under our 8 3/8% senior subordinated notes.
(2) Represents cash payments required. These obligations are recorded on our balance sheet at net present value at December 31, 2005.

The following are our commercial commitment expirations as of December 31, 2005 (in millions):

Other commercial commitments	**Total**	**Less Than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Standby letters of credit	$ 14.1	$ 14.1	$	$	$
Purchase obligations	10.7	10.7			
Performance bonds	16.0	16.0			
Total	$ 40.8	$ 40.8	$	$	$

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 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 8 to the Consolidated Financial Statements in Item 8 of this report.

Inflation

As a result of the relatively low levels of inflation during the past three years, inflation did not significantly affect our results of operations in any of those years.

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 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.

The indebtedness evidenced by our 8 3/8% 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.

Effective April 16, 2004, we entered into interest rate swap agreements that had the economic effect of modifying the interest obligations associated with $70 million of our 8 3/8% senior subordinated notes, such that the interest payable on these senior subordinated notes effectively was to become variable based on the six-month LIBOR rate, set on April 1 and October 1 of each year. We terminated these interest rate swap agreements in June 2005. The swaps had been designated as fair-value hedges and had no ineffective portion. The notional amounts of the swaps matched the principal amounts of the hedged portion of the senior subordinated notes, and the termination dates of the swaps matched the maturity date of the notes. As a result of the swaps, the interest rate on the hedged portion of the notes was LIBOR plus 3.16%. Because the swap agreements were considered an effective fair-value hedge, there was no effect on our results of operations from the mark-to-market adjustment while the swap agreements were in effect. The swap agreements were marked to market each quarter, with a corresponding mark-to-market adjustment reflected as either a discount or premium on the 8 3/8% senior subordinated notes. At December 31, 2004, the fair value of the interest rate swap was $0.8 million and included in other assets. During the year ended December 31, 2005, the interest rate swap agreements reduced our interest expense by approximately $0.5 million ($0.3 million, net of tax).

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 level of general construction activity, including the level of interest rates and availability of funds for construction. A significant decrease in the level of general construction activity in any of our market areas may have a material adverse effect on our sales 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.:

We have completed integrated audits of U.S. Concrete, Inc. s 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of U.S. Concrete, Inc. and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management s assessment, included in Management s Report on Internal Control Over Financial Reporting appearing under Item 9A of this Form 10-K, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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.

As described in Management s Report on Internal Control Over Financial Reporting , management has excluded two entities, Go-Crete and City Concrete, from its assessment of internal control over financial reporting as of December 31, 2005 because they were acquired by the Company in purchase business combinations during 2005. We have also excluded Go-Crete and City Concrete from our audit of internal control over financial reporting. Go-Crete and City Concrete are wholly-owned subsidiaries whose total assets and total revenues represent approximately eleven percent and less than one percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 16, 2006

U.S CONCRETE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31	
	2005	**2004**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,654	$ 39,707
Trade accounts receivable, net	87,654	68,131
Inventories	23,677	20,085
Deferred income taxes	6,750	10,293
Prepaid expenses	2,401	2,140
Income tax receivables	580	4,406
Other current assets	5,824	7,381
Total current assets	150,540	152,143
Properties, plant and equipment, net	149,637	118,748
Goodwill	181,821	166,644
Other assets	12,045	11,624
Total assets	$ 494,043	$ 449,159
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 1,126	$
Accounts payable	49,144	36,506
Accrued liabilities	37,469	25,990
Total current liabilities	87,739	62,496
Long-term debt, net of current maturities	200,445	200,777
Other long-term obligations and deferred credits	4,997	4,137
Deferred income taxes	15,941	12,900
Total liabilities	309,122	280,310
Commitments and contingencies (Note 13)		
Stockholders equity:		
Preferred stock, $0.001 par value per share (10 million shares authorized; none issued)		
Common stock, $0.001 par value per share (60 million shares authorized; 29,809 shares in 2005 and 29,344 shares in 2004 issued and outstanding)	30	29
Additional paid-in capital	172,857	168,850
Deferred compensation	(3,939)	(3,936)
Retained earnings	16,918	4,306
Cost of treasury stock, 139 common shares in 2005 and 59 common shares in 2004	(945)	(400)
Total stockholders equity	184,921	168,849
Total liabilities and stockholders equity	$ 494,043	$ 449,159

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		
	2005	2004	2003
Sales	$ 575,655	$ 500,589	$ 473,124
Cost of goods sold before depreciation, depletion and amortization	472,010	412,262	388,717
Selling, general and administrative expenses	54,028	48,110	42,550
Depreciation, depletion and amortization	13,591	12,669	12,441
Income from operations	36,026	27,548	29,416
Interest income	857	180	241
Interest expense	18,172	16,703	17,096
Loss on early extinguishment of debt		28,781	
Other income, net	2,022	840	3,016
Income (loss) before income tax provision (benefit)	20,733	(16,916)	15,577
Income tax provision (benefit)	8,121	(6,377)	5,274
Net income (loss)	$ 12,612	$ (10,539	