US CONCRETE INC
Form 10-Q
August 07, 2008

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2008

Commission File Number 000-26025

U.S. CONCRETE, INC.

A Delaware Corporation

IRS Employer Identification No. 76-0586680

2925 Briarpark, Suite 1050
Houston, Texas 77042
(713) 499-6200

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

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

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

As of the close of business on August 5, 2008, U.S. Concrete, Inc. had 39,824,981 shares of its common stock, $0.001 par value, outstanding (excluding treasury shares of 420,668).

U.S. CONCRETE, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,199	$ 14,850
Trade accounts receivable, net	114,602	102,612
Inventories, net	34,789	32,557
Deferred income taxes	17,640	10,937
Prepaid expenses	5,394	5,256
Other current assets	9,259	11,387
Assets held for sale	—	7,273
Total current assets	190,883	184,872
Property, plant and equipment, net	272,208	267,010
Goodwill	189,137	184,999
Other assets, net	9,243	10,375
Total assets	$ 661,471	$ 647,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 4,195	$ 3,172
Accounts payable	61,067	48,160
Accrued liabilities	42,185	45,411
Total current liabilities	107,447	96,743
Long-term debt, net of current maturities	297,930	295,328
Other long-term liabilities and deferred credits	8,505	9,125
Deferred income taxes	31,882	26,763
Total liabilities	445,764	427,959
Commitments and contingencies (Note 11)		
Minority interest in consolidated subsidiary (Note 4)	11,363	14,192
Stockholders' equity:		
Preferred stock	—	—
Common stock	40	39
Additional paid-in capital	269,417	267,817
Retained deficit	(62,093)	(60,118)
Treasury stock, at cost	(3,020)	(2,633)
Total stockholders' equity	204,344	205,105
Total liabilities and stockholders' equity	$ 661,471	$ 647,256

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

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

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Sales	$ 206,047	$ 209,508	$ 368,154	$ 367,002
Cost of goods sold before depreciation, depletion and amortization	170,410	168,509	311,701	305,015
Selling, general and administrative expenses	17,642	15,926	35,773	32,619
Depreciation, depletion and amortization	7,035	7,304	13,913	13,942
Income from operations	10,960	17,769	6,767	15,426
Interest expense, net	6,668	7,188	13,374	14,055
Other income, net	428	1,907	1,050	2,384
Minority interest in consolidated subsidiary	(785)	359	(2,829)	359
Income (loss) before income taxes	5,505	12,129	(2,728)	3,396
Income tax provision (benefit)	2,202	5,085	(902)	1,576
Income (loss) from continuing operations	3,303	7,044	(1,826)	1,820
Loss from discontinued operations (net of tax benefit of $0 and $81 in 2008, and $147 and $483 in 2007)	—	(220)	(149)	(725)
Net income (loss)	$ 3,303	$ 6,824	$ (1,975)	$ 1,095
Earnings (loss) per share - Basic				
Income (loss) from continuing operations	$ 0.09	$ 0.18	$ (0.05)	$ 0.05
Loss from discontinued operations, net of income tax benefit	—	—	—	(0.02)
Net income (loss)	$ 0.09	$ 0.18	$ (0.05)	$ 0.03
Earnings (loss) per share - Diluted				
Income (loss) from continuing operations	$ 0.08	$ 0.18	$ (0.05)	$ 0.05
Loss from discontinued operations, net of income tax benefit	—	—	—	(0.02)
Net income (loss)	$ 0.08	$ 0.18	$ (0.05)	$ 0.03
Number of shares used in calculating earnings				

(loss) per share:				
Basic	38,709	38,169	38,655	38,104
Diluted	39,340	38,964	38,655	38,833

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

U.S. CONCRETE, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Common Stock		Additional			
	Shares	Par Value	Paid-In Capital	Retained Deficit	Treasury Stock	Stockholders' Equity
BALANCE, December 31, 2007	39,361	$ 39	$ 267,817	$ (60,118)	$ (2,633)	$ 205,105
Employee purchase of ESPP shares	93	—	377	—	—	377
Stock-based compensation	549	1	1,456	—	—	1,457
Purchase of treasury shares	(164)	—	(233)	—	(387)	(620)
Cancellation of shares	(25)	—	—	—	—	—
Net loss	—	—	—	(1,975)	—	(1,975)
BALANCE, June 30, 2008	39,814	$ 40	$ 269,417	$ (62,093)	$ (3,020)	$ 204,344

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

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

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,975)	$ 1,095
Adjustments to reconcile net income (loss) to net cash provided by (used in)operations:		
Depreciation, depletion and amortization	13,913	15,079
Debt issuance cost amortization	821	764
Net (gain) loss on sale of property, plant and equipment	(586)	44
Deferred income taxes	(1,584)	209
Provision for doubtful accounts	698	671
Stock-based compensation	1,457	1,335
Excess tax benefits from stock-based compensation	—	(139)
Minority interest in consolidated subsidiary	(2,829)	359
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable, net	(10,760)	(24,110)
Inventories	(1,913)	472
Prepaid expenses and other current assets	2,443	(1,715)
Other assets	220	247
Accounts payable and accrued liabilities	9,595	3,299
Net cash provided by (used in) operations	9,500	(2,390)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment, net of disposals of $2,921 and $2,164	(9,441)	(11,900)
Disposal of business unit	7,583	—
Payments for acquisitions, net of cash received of $1.0 million in 2007	(16,835)	(5,285)
Other investing activities	170	(174)
Net cash used in investing activities	(18,523)	(17,359)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	6,282	20,439
Repayments of capital leases and notes payable	(2,657)	(2,215)
Proceeds from issuances of common stock under compensation plans	377	1,467
Excess tax benefits from stock-based compensation	—	139
Purchase of treasury shares	(620)	(715)
Other financing activities	(10)	(187)
Net cash provided by financing activities	3,372	18,928
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,651)	(821)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,850	8,804
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 9,199	$ 7,983

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

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

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of U.S. Concrete, Inc. and its subsidiaries and have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). We include in our condensed consolidated financial statements, the results of operations, balance sheets and cash flows of our 60%-owned Michigan subsidiary. We reflect the minority owner's 40% interest in results of opearations, net assets and cash flows of our Michigan subsidiary as minority interest in consolidated subsidiary in our condensed consolidated financial statements. Some information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the SEC's rules and regulations, although our management believes that the disclosures made are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our annual report on Form 10-K for the year ended December 31, 2007 (the "2007 Form 10-K"). In the opinion of our management, all adjustments necessary to state fairly the information in our unaudited condensed consolidated financial statements have been included. Operating results for the three- and six-month periods ended June 30, 2008 are not necessarily indicative of our results expected for the year ending December 31, 2008.

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

2. SIGNIFICANT ACCOUNTING POLICIES

For a description of our accounting policies, see Note 1 of the consolidated financial statements in the 2007 Form 10-K, as well as Note 13 below.

3. DISCONTINUED OPERATIONS

In the fourth quarter of 2007, we entered into definitive agreements to dispose of three of our ready-mixed concrete business units. In November 2007, we sold our Knoxville, Tennessee and Wyoming, Delaware business units. The sale of our third unit, headquartered in Memphis, Tennessee, occurred on January 31, 2008. All three units were part of our ready-mixed concrete and concrete-related products segment. We classified all three business units sold as discontinued operations beginning in the fourth quarter of 2007 and presented the results of operations, net of tax, as discontinued operations in the accompanying condensed consolidated statements of operations for all periods presented. The results of discontinued operations included in the accompanying condensed consolidated statements of operations were as follows for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Sales	$ —	$ 13,725	$ 671	$ 25,620
Operating expenses	—	14,092	1,395	26,828
Gain on disposal of assets	—	—	494	—
Loss from discontinued operations, before income tax benefit	—	(367)	(230)	(1,208)

Income tax benefits from discontinued operations		—		(147)		(81)		(483)
Loss from discontinued operations, net of tax	$	—	$	(220)	$	(149)	$	(725)

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

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

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U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

4. BUSINESS COMBINATIONS

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

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

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

In October 2007, we completed the acquisition of the operating assets, including working capital and real property of Architectural Precast, LLC ("API"), a leading designer and manufacturer of premium quality architectural and structural precast concrete products serving the Atlantic region. We used borrowings under our revolving credit facility to fund the cash purchase price of approximately $14.5 million. The purchase agreement provides for up to $1.5 million in additional purchase consideration, which is contingent on API attaining established earnings targets in each of 2008 and 2009.

In April 2007, several of our subsidiaries entered into agreements with the Edw. C. Levy Co. relating to the formation of a ready-mixed concrete company that operates in Michigan. We contributed our Michigan ready-mixed concrete and concrete-related products assets, excluding our quarry assets and working capital, in exchange for an aggregate 60% ownership interest, and Levy contributed all of its ready-mixed concrete and concrete-related products assets, a cement terminal and cash of $1.0 million for a 40% ownership interest in the new company. Under the contribution agreement, the subsidiary also purchased at closing the then carrying amount of Levy's inventory and prepaid assets, totaling approximately $3.0 million, which is classified as cash used in investing activities. The newly formed company, Superior Materials Holdings, LLC, which operates primarily under the trade name Superior Materials, currently owns and operates 22 ready-mixed concrete plants, a cement terminal and approximately 250 ready-mixed concrete trucks. For financial reporting purposes, we are including Superior Materials Holdings, LLC in our consolidated accounts.

Superior Materials Holdings, LLC has a separate credit agreement which provides for a revolving credit facility, under which borrowings of up to $17.5 million may become available depending on its borrowing base, as defined in the credit agreement (see Note 7).

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

5. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2008	December 31, 2007
Raw materials	$ 17,661	$ 17,374
Precast products	8,180	7,495
Building materials for resale	4,612	3,520
Repair parts	4,336	4,168

	$	34,789	$	32,557

6. GOODWILL

The change in the carrying amount of goodwill from December 31, 2007 to June 30, 2008 was as follows (in thousands):

	Ready-Mixed Concrete and Concrete-Related Products		Precast Concrete Products		Total	
Balance at December 31, 2007	$	148,116	$	36,883	$	184,999
Acquisitions		5,351		—		5,351
Adjustments		179		(1,392)		(1,213)
Balance at June 30, 2008	$	153,646	$	35,491	$	189,137

The adjustments made in the six months ended June 30, 2008 relate to the purchase price allocation in connection with our recent business acquisitions and certain reclasses to other tangible property as of the acquisition date (see Note 4).

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U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

7. DEBT

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

		June 30, 2008		December 31, 2007
Senior secured credit facility due 2011	$	3,700	$	—
8 % senior subordinated notes due 2014		283,903		283,807
Notes payable		6,538		6,114
Superior Materials Holdings, LLC secured credit facility due 2010		7,404		7,816
Capital leases		580		763
		302,125		298,500
Less: current maturities		4,195		3,172
	$	297,930	$	295,328

Senior Secured Credit Facility

On June 30, 2006, we entered into a credit agreement (“the Credit Agreement”), which amended and restated our senior secured credit agreement dated as of March 12, 2004. The Credit Agreement, as amended to date, provides for a $150 million revolving credit facility, with borrowings limited based on a portion of the net amounts of eligible accounts receivable, inventory and mixer trucks. The facility is scheduled to mature in March 2011. At June 30, 2008, outstanding borrowings were $3.7 million under this facility. Borrowings under the facility have an annual interest at the Eurodollar-based rate (“LIBOR”) plus 1.75% or the domestic rate of 5.00% plus 0.25%. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility. The Credit Agreement provides that the administrative agent may, on the bases specified, reduce the amount of the available credit from time to time. At June 30, 2008, the amount of the available credit was approximately $91.1 million, net of outstanding letters of credit of approximately $13.2 million.

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

Senior Subordinated Notes

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

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

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

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

Superior Materials Holdings, LLC Credit Facility

Superior Materials Holdings, LLC has a separate credit agreement that provides for a revolving credit facility. The credit agreement was recently amended and currently allows for borrowings of up to $17.5 million. Borrowings under this credit facility are collateralized by substantially all the assets of Superior Materials Holdings, LLC and are scheduled to mature on April 1, 2010. Availability of borrowings is subject to a borrowing base that is determined based on the values of net receivables, certain rolling stock and letters of credit. The credit agreement provides that the lender may, on the bases specified, reduce the amount of the available credit from time to time. As of June 30, 2008, there were $7.4 million in outstanding borrowings under the revolving credit facility, and the remaining amount of the available credit was approximately $2.4 million. Letters of credit outstanding at June 30, 2008 were $1.8 million.

Currently, borrowings have an annual interest at either LIBOR plus 4.25% or prime rate plus 2.00%. Commitment fees at an annual rate of 25 basis points are payable on the unused portion of the facility.

The credit agreement contains covenants restricting, among other things, Superior Materials Holdings, LLC’s distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also generally limits Superior Materials Holdings, LLC’s capital expenditures and requires the subsidiary to maintain compliance with specified financial covenants, including an affirmative covenant which requires earnings before income taxes, interest and depreciation (“EBITDA”) to meet certain minimum thresholds quarterly. At June 30, 2008, Superior Materials Holdings, LLC was not in compliance with its financial covenants under the credit agreement and such noncompliance was waived by the lender. As a result of the recent amendment, certain financial covenants of Superior Materials Holdings, LLC's credit agreement were both reduced and eliminated.

U.S. Concrete and its 100%-owned subsidiaries are not obligors under the terms of the Superior Materials Holdings, LLC credit agreement. However, in connection with the recent amendment of the revolving credit facility, Superior Materials Holdings, LLC’s credit agreement provides that an event of default beyond a 30-day grace period under either U.S. Concrete’s credit agreement or Edw. C. Levy’s credit agreement would constitute an event of default. Furthermore, U.S. Concrete agreed to provide or obtain additional equity or subordinated debt capital not to exceed $6.75 million through the term of the revolving credit facility to fund any future cash flow deficits, as defined, of Superior Materials Holdings, LLC.

8. INCOME TAXES

For the six months ended June 30, our income tax payments were approximately $0.4 million in 2008 and $2.5 million in 2007.

In accordance with applicable generally accepted accounting principles, we estimate the effective tax rate expected to be applicable for the full year. We use this estimate in providing for income taxes on a year-to-date basis, and it may change in subsequent interim periods. Our effective tax rate for the six month months ended June 30, 2008 was approximately 33.1%, compared to 46.4% for the six months ended June 30, 2007. The effective income tax benefit rate for the 2008 period was lower than the federal statutory rate of 35%, due primarily to $0.3 million for interest and penalties related to previously recorded tax liabilities for uncertain tax positions. In the 2007 period, the effective income tax rate was higher than the federal statutory rate, due primarily to state income taxes and an additional $0.2 million for interest and penalties related to previously recorded tax liabilities for uncertain tax positions.

9. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

The following table presents information regarding U.S. Concrete's common stock (in thousands):

	June 30, 2008	December 31, 2007
Shares authorized	60,000	60,000
Shares outstanding at end of period	39,814	39,361
Shares held in treasury	420	315

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

Under our restated certificate of incorporation, we are authorized to issue 10,000,000 shares of preferred stock, $0.001 par value, none of which were issued or outstanding as of June 30, 2008 and December 31, 2007.

Treasury Stock

Employees may elect to satisfy their tax obligations on the vesting of their restricted stock by having us make the required tax payments and withhold a number of vested shares having an aggregate value on the date of vesting equal to the tax obligation. As a result of such employee elections, we withheld approximately 105,000 shares during the six months ended June 30, 2008, at a total value of $0.4 million, and we accounted for those shares as treasury stock.

Share Repurchase Plan

On January 7, 2008, our Board of Directors approved a plan to repurchase up to an aggregate of three million shares of our common stock. The plan permits the stock repurchases to be made on the open market or in privately negotiated transactions in compliance with applicable securities and other laws. Our stock repurchase plan does not obligate us to repurchase any particular number of shares, and we may suspend or discontinue the program at any time. As of June 30, 2008, we had repurchased and subsequently cancelled 59,014 shares with an aggregate value of $0.2 million under the repurchase plan and had a remaining authorization to repurchase up to 2,940,986 shares.

10. SHARES USED IN COMPUTING NET INCOME PER SHARE

The following table summarizes the number of shares (in thousands) of common stock U.S. Concrete has used, on a weighted-average basis, in calculating basic and diluted net loss per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Basic weighted average common shares outstanding	38,709	38,169	38,655	38,104
Effect of dilutive stock options and awards	631	795	—	729
Diluted weighted average common shares outstanding	39,340	38,964	38,655	38,833

For the three- and six-month periods ended June 30, stock options and awards covering 2.0 million shares in 2008 and 2.1 million shares in 2007 were excluded from the computation of the net income (loss) per share because their effect would have been antidilutive.

11. COMMITMENTS AND CONTINGENCIES

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, personal injuries, property damages, product defects and delay damages that have, or allegedly have, resulted from the conduct of our operations. As a result of these types of claims and litigation, we must periodically evaluate the probability of damages being assessed against us and the range of possible outcomes. In the relevant period, if we determine that the likelihood of damages being assessed against us is probable, and, if we believe we can estimate a range of possible outcomes, then we record a liability reflecting either the low end of our range or a specific estimate, if we believe a specific estimate to be likely based on current information. During the year ended December 31, 2007, we recorded a $2.3 million liability associated with certain ongoing litigation. Based on information available to us as of June 30, 2008, we believe our existing accruals for these matters are reasonable.

In the second quarter of 2008, we received a letter from a multi-employer pension plan to which one of our subsidiaries is a contributing employer, providing notice that the Internal Revenue Service had denied applications by the plan for waivers of the minimum funding deficiency from prior years, and requesting payment of approximately $1.3 million as our allocable share of the minimum funding deficiencies. We are currently evaluating several options to minimize our exposure, including transferring our assets and liabilities into another plan. We may receive future funding deficiency demands from this particular multi-employer pension plan, or other multi-employer plans to which we contribute.

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 consolidated financial condition, results of operations or cash flows; however, because of the inherent uncertainty of litigation, we cannot provide assurance that the resolution of any particular claim or proceeding to which we or any of our subsidiaries is a party will not have a material adverse effect on our consolidated results of operations or cash flows for the fiscal period in which that resolution occurs. We expect in the future that we and our operating subsidiaries will from time to time be a party to litigation or administrative proceedings that arise in the normal course of our business.

U.S. CONCRETE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

We are subject to federal, state and local environmental laws and regulations concerning, among other matters, air emissions and wastewater discharge. Our management believes we are in substantial compliance with applicable environmental laws and regulations. From time to time, we receive claims from federal and state environmental regulatory agencies and entities asserting that we may be in violation of environmental laws and regulations. Based on experience and the information currently available, our management believes that these claims should not have a material impact on our consolidated financial condition, results of operations or cash flows. Despite compliance and experience, it is possible that we could be held liable for future charges, which might be material, but are not currently known to us or cannot be estimated by us. In addition, changes in federal or state laws, regulations or requirements, or discovery of currently unknown conditions, could require additional expenditures.

As permitted under Delaware law, we have agreements that provide indemnification of officers and directors for certain events or occurrences while the officer or director is or was serving at our request in such capacity. The maximum potential amount of future payments that we could be required to make under these indemnification agreements is not limited; however, we have a director and officer insurance policy that potentially limits our exposure and enables us to recover a portion of future amounts that may be paid. As a result of the insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal. Accordingly, we have not recorded any liabilities for these agreements as of June 30, 2008.

We and our subsidiaries are parties to agreements that require us to provide indemnification in certain instances when we acquire or divest businesses and real estate and in the ordinary course of business with our customers, suppliers, lessors and service providers.

Insurance Programs

We maintain third-party insurance coverage in amounts and against the risks we believe are reasonable. Under certain components of our insurance program, we share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. Generally, we believe our deductible retentions per occurrence for auto, general liability and workers' compensation insurance programs are consistent with industry practices. Generally, our deductible retentions per occurrence for auto, workers' compensation and general liability insurance programs are $1.0 million, although certain of our operations are self-insured for workers' compensation. We fund these deductibles and record an expense for expected losses under the programs. The expected losses are determined 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 patterns, claims settlement patterns, judicial decisions, legislation and economic conditions. Although we believe that the estimated losses we have recorded are reasonable, significant differences related to the items noted above could materially affect our insurance obligations and future expense.

In March 2007, we settled a lawsuit with a third-party claims administrator responsible for handling workers' compensation claims related to 2002 and 2003. The settlement relieves us of any future responsibility relating to certain workers' compensation claims and required the payment of $225,000 in cash to us by the third-party administrator. As a result, we recorded additional income of approximately $1.4 million resulting from the reversal of accrued liabilities relating to workers' compensation claims associated with 2002 and 2003 and the cash settlement amount. The additional income is reported in our financial statements primarily as an offset to cost of sales in 2007.

Performance Bonds

In the normal course of business, we and our subsidiaries are contingently liable for performance under $28.9 million in performance bonds that various contractors, states and municipalities have required. The bonds principally relate to construction contracts, reclamation obligations and mining permits. We and our subsidiaries have indemnified the underwriting insurance company against any exposure under the performance bonds. No material claims have been made against these bonds.

12. SEGMENT INFORMATION

Our ready-mixed concrete and concrete-related products segment produces and sells ready-mixed concrete, aggregates (crushed stone, sand and gravel), concrete masonry and building materials. This segment serves the following principal markets: north and west Texas, northern California, New Jersey, Washington, D.C., and Michigan. Our precast concrete products segment produces and sells precast concrete products in select markets in the western United States and the mid-Atlantic region.

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We account for inter-segment sales at market prices. Segment operating profit consists of net sales less operating expense, including certain operating overhead directly related to the operation of the specific segment. Corporate includes administrative, financial, legal, human resources and risk management activities which are not allocated to operations and are excluded from segment operating profit.

The following table sets forth certain financial information relating to our continuing operations by reportable segment (in thousands):

	Three months ended June 30,		Six months ended June 30,	
Sales:	**2008**	**2007**	**2008**	**2007**
Ready-mixed concrete and concrete-related products	$ 192,964	$ 195,130	$ 341,790	$ 338,104
Precast concrete products	17,353	18,129	33,914	35,944
Inter-segment sales	(4,270)	(3,751)	(7,550)	(7,046)
Total sales	$ 206,047	$ 209,508	$ 368,154	$ 367,002
Segment operating income (loss):				
Ready-mixed concrete and concrete-related products	$ 12,195	$ 15,952	$ 11,771	$ 15,113
Precast concrete products	1,706	2,841	3,515	