US CONCRETE INC
Form POS AM
January 24, 2002

As filed with the Securities and Exchange Commission on January 24, 2002
Registration No. 33-42860

SECURITIES AND EXCHANGE COMMISSION

POST-EFFECTIVE AMENDMENT NO. 1

to

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

U.S. CONCRETE, INC.

(Exact name of registrant as specified in its charter)

Delaware	2925 Briarpark, Suite 500 Houston, Texas 77042 (713) 499-6200	76-0586680
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Donald C. Wayne
Vice President, General Counsel and Secretary
U.S. Concrete, Inc.
2925 Briarpark, Suite 500
Houston, Texas 77042
(713) 499-6200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:
Ted W. Paris
Baker Botts L.L.P.
3000 One Shell Plaza
910 Louisiana
Houston, Texas 77002-4995
(713) 229-1838
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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box.[_]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.[X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.[_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.[_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.[_]

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted

Subject to Completion, dated January 24, 2002

Prospectus

[Logo]

U.S. Concrete, Inc.
2925 Briarpark, Suite 500
Houston, Texas 77042
(713) 499-6200

$185,440,000
Senior Debt Securities
Subordinated Debt Securities
Preferred Stock
Common Stock
Warrants

The Offering

We may offer from time to time any of the following securities:

- senior debt securities;
- subordinated debt securities;
- shares of preferred stock;

- shares of common stock; and
- warrants to purchase debt securities or shares of preferred stock or common stock.

This prospectus provides a general description of the securities we may offer. Each time we offer securities under this prospectus, we will provide a supplement to this prospectus that will contain specific information about the offering and the terms of the securities. The supplement may also add, update or change information that this prospectus contains. You should read this prospectus and the related prospectus supplement carefully before you invest in our securities. No person may use this prospectus to offer and sell securities unless a prospectus supplement that describes those securities accompanies this prospectus.

We may sell our securities to or through underwriters, to other purchasers and/or through agents. The accompanying prospectus supplement will specify the names of any underwriters or agents we engage to offer and sell any securities under this prospectus.

Of the shares of our common stock we may offer under this prospectus, we may offer and sell a number of shares that could result in maximum gross proceeds to us of up to $12,255,168 under an agreement we have entered into with Ramius Securities, LLC, as underwriter. The total amount of common stock we may offer and sell under that agreement will not exceed 1,800,000 shares. Please see the description of that agreement under the heading "Plan of Distribution - Existing Underwriting Arrangement" beginning on page 28 of this prospectus.

Our common stock is quoted on the Nasdaq National Market under the symbol "RMIX."

You should carefully consider the risks described under the caption "Risk Factors" beginning on page 4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is   , 2002.

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About This Prospectus

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission under a "shelf" registration process. Using this process, we may offer any combination of the securities this prospectus describes in one or more offerings with a total initial offering price of up to $185,440,000. This prospectus provides you with a general description of the securities we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement and, if applicable, a pricing supplement. The prospectus supplement and any pricing supplement will describe the specific terms of that offering. The prospectus supplement and any pricing supplement may also add, update or change the information this prospectus contains. Please carefully read this prospectus, the prospectus supplement and any pricing supplement, in addition to the information contained in the documents we refer to under the heading "Where You Can Find More Information."

The registration statement originally covered securities having a maximum aggregate offering price of $200,000,000. In July 2001, we offered and sold 1,820,000 shares of our common stock under the registration statement for an aggregate public offering price of $14,560,000. As a result, the securities we offer under this prospectus will have a total initial offering price that does not exceed $185,440,000.

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About U.S. Concrete, Inc.

U.S. Concrete provides ready-mixed concrete and related products and services to the construction industry in several major markets in the United States. As of December 31, 2001, we have 83 operating plants producing over 5.8 million cubic yards of concrete annually. Our operations consist principally of formulating, preparing, delivering and placing ready-mixed concrete at the job sites of our customers. We 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 new mixtures for specific design uses, on-site and lab-based product quality control and delivery programs we configure to meet our customers' needs.

We completed our initial public offering in May 1999. At the same time, we acquired six ready-mixed concrete and related businesses and began operating 26 concrete plants in three major markets in the United States. Since our IPO and through December 31, 2001, we have acquired an additional 21 ready-mixed concrete and related businesses, operating an additional 57 concrete plants, in seven additional major markets in the United States.

To increase our geographic diversification and expand the scope of our operations, we seek to acquire businesses operating under quality management teams in growing markets. Our acquisition strategy has two primary objectives. In a new market, we target one or more companies that can serve as platform businesses into which we can integrate other concrete operations. In markets where we have existing operations and seek to increase our market penetration, we pursue acquisitions that can complement our existing operations.

In this prospectus, we refer to U.S. Concrete, Inc., its wholly owned subsidiaries and its ownership interest in equity affiliates as "we," "us" or "U.S. Concrete," unless we specifically state otherwise or the context indicates otherwise. Our principal executive offices are located at 2925 Briarpark, Suite 500, Houston, Texas 77042, and our telephone number at that location is (713) 499-6200.

Risk Factors

You should carefully consider the following matters, in addition to the other information we have provided in this prospectus, the accompanying prospectus supplement and the documents we incorporate by reference, before reaching a decision regarding an investment in our securities. The risks and uncertainties we describe below are not the only ones relating to these securities or facing our company. Additional risks and uncertainties not presently known to us or that we currently do not believe are material may also impact our business, operations, financial condition or results of operations.

We have a limited history of operating and integrating acquired businesses, and we may not be able to realize our business strategy of reducing costs and achieving revenue enhancements in the operations of the businesses we acquire

If we are unable to integrate or successfully manage the companies we have acquired or may acquire in the future, our business, financial condition and results of operations could be materially and adversely affected. We completed our initial public offering in May 1999. At the same time, we acquired six ready-mixed concrete and related businesses. Since our IPO and through December 31, 2001, we have grown rapidly through the acquisition of an additional 21 ready-mixed concrete and related businesses. To manage the combined enterprise on a profitable basis, we must implement several common systems and various control mechanisms in each of the businesses we acquire. We may not be able to realize our business strategy of reducing costs and achieving revenue enhancements in the operations of the businesses we acquire for a number of reasons, including the following:

- we may fail to integrate the businesses we acquire into a cohesive, efficient enterprise with company-wide information and management systems and effective cost and other control mechanisms;

- we will have to rely on existing accounting, information and administrative systems of acquired businesses, which may be inadequate, until we can implement the systems we use in our existing operations;

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

- our ability to realize significant cost savings and customer cross-selling opportunities in any market will depend on the extent to which our acquisition strategy succeeds in that market.

We may be unsuccessful in identifying and acquiring sufficient acquisition candidates to carry out our growth strategy

One of our principal growth strategies is to increase our revenues and the markets we serve through the acquisition of additional ready-mixed concrete and related businesses. We expect to face competition for acquisition candidates and we may not be able to identify and acquire sufficient suitable acquisition candidates available for sale at reasonable prices and on other reasonable terms for a number of reasons, including:

- the unwillingness of candidates to sell during a period of growing demand for ready-mixed concrete;
- competitors in our industry may outbid us;
- we may not have sufficient available capital to pay for acquisitions; or
- our lenders may not provide the necessary consent under our revolving credit facility, which requires the consent of the lenders for all acquisitions.

There are risks related to our operating and internal growth strategies

A key element of our strategy is to increase the profitability and revenues of the businesses we acquire. Although we have been implementing this strategy by various means since our IPO, you have no assurance that we will be able to continue to do so successfully. Another key component of our strategy is to operate the businesses we acquire on a decentralized basis, with local 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 at the businesses we acquire, and our overall profitability could be adversely affected. Our ability to generate internal growth will be affected by, among other factors, our ability to:

- emphasize new product development and value-added sales and marketing;
- attract new customers;
- hire and retain employees; and
- reduce operating and overhead expenses.

Many of the factors affecting our ability to generate internal growth may be beyond our control, and you have no assurance that our strategies will be successful or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. Our inability to achieve internal growth could materially and adversely affect our business, financial condition and results of operations.

We may not have access to sufficient funding to finance future acquisitions

If we cannot secure additional financing on acceptable terms, we may be unable to continue pursuing our acquisition strategy successfully and we may be unable to support our growth strategy. We cannot readily predict the timing, size and success of our acquisition efforts or the capital we will need for those efforts. We intend to continue to use our common stock as a significant component of the consideration we pay for future acquisitions. Issuances of common stock as acquisition consideration could have a dilutive effect on our then existing 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 then existing stockholders. You have no assurance that additional debt or equity financing will be available on terms acceptable to us. Our principal credit facility contains a general requirement for us to obtain the consent of the lenders for acquisitions.

Our business growth could outpace the capability of our corporate management and systems

We expect to grow both internally and through acquisitions. We expect to expend significant time and effort in evaluating, completing and integrating acquisitions and opening new facilities. We cannot be certain that our systems, procedures and controls will be adequate to support our operations as they expand. Any future growth also will impose significant additional responsibilities on members of our senior management and executive officers. Our success will also 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 additional qualified management personnel, our business, financial condition and results of operations could be materially and adversely affected.

The departure of key personnel could disrupt our business

We depend on the continued efforts of our executive officers and, in many cases, on senior management of the businesses we acquire. The loss of key personnel, or the inability to hire and retain qualified replacements, could adversely effect our business, financial condition and results of operations. 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 requires that we employ an adequate number of skilled plant managers, technicians and drivers. Accordingly, our ability to increase our productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. Like many of our competitors, we are currently experiencing shortages of qualified personnel. You have no assurance that we will be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy or that our labor expenses will not increase as a result of a shortage in the supply of skilled personnel.

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

We may lose business to competitors who underbid us and otherwise be unable to compete favorably in our highly competitive industry. Our competitive position in a given market will depend 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 as well as price are the principal competitive factors among suppliers for large or complex jobs. Our competitors range from small, owner-operated private companies offering simple mixes to subsidiaries or operating units of large, vertically integrated cement manufacturing and concrete products companies. 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 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.

Our operating results may vary significantly quarter-to-quarter

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 due to inclement weather. Additionally, the ready-mixed concrete industry can be highly cyclical. As a result, our volume of business may be adversely affected by declines in construction in various geographic regions of the U.S. Our quarterly results may also be materially affected by, among other things:

- the timing of acquisitions;
- variations in the margins of jobs performed during any particular quarter;
- the timing and magnitude of acquisition assimilation costs;
- the budgetary spending patterns of customers;
- costs we incur to support growth internally or through acquisitions or otherwise;
- the change in mix of our customers and business;
- increases in construction and design costs; 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.

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

When we acquire a business, we record an asset called "goodwill" equal to the excess amount we pay for the business, including liabilities we assume, over the fair value of the tangible and separately identifiable intangible assets of the business we acquire. The Financial Accounting Standards Board recently adopted changes to its accounting standards that relate to business combinations, goodwill and other intangible assets. These standards continue to require recognition of goodwill as an asset, but will not permit amortization of goodwill as currently required by applicable generally accepted accounting principles. These changes will require us to test goodwill periodically for impairment using a fair-value based approach. We will evaluate goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. If we determine that any of the remaining balance of goodwill is impaired, we will be required to take an immediate charge to earnings. We will be required to apply the new standards beginning January 1, 2002, except that for the business combinations we completed after June 30, 2001 the new standards are currently effective. We are currently evaluating the potential impact of the adoption of these changes on our financial position and results of operations. As of September 30, 2001, goodwill represented approximately 50% of our total assets.

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 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 material expenditures we currently do not anticipate. In addition, although we intend to conduct appropriate investigations with respect to environmental matters in connection with future acquisitions, we may fail to identify or obtain indemnification from all potential environmental liabilities of any acquired business.

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

At September 30, 2001, approximately 46% of our employees were covered by collective bargaining agreements. Any inability by us to negotiate acceptable new contracts with these unions could cause strikes or other work stoppages by the affected employees, and new contracts could result in increased operating costs attributable to both union and non-union 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 and results of operations. In addition, the coexistence of union and non-union employees may lead to conflicts between union and non-union employees or impede our ability to integrate our operations efficiently. Labor relations matters affecting our suppliers of cement and aggregates could adversely impact our business from time to time.

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.

Our operating hazards can cause personal injury and loss of life, damage to or destruction of property, plant and equipment and environmental damage. Although we conduct training programs designed to reduce the risks of these occurrences, we cannot eliminate these risks. 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 not be able to maintain insurance of the types or at levels we deem necessary or adequate or at rates we consider reasonable.

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

Our operations generally involve providing mixed designs of concrete which must meet building code or other regulatory requirements and contractual specifications for durability, stress-level capacity, weight-bearing capacity and other characteristics. We generally warrant to our customers that the concrete we provide: (1) in its plastic state on site will be delivered on time and in conformity with applicable tests and contractual specifications; and (2) in its hardened state will satisfy any applicable industry compressive strength test conducted by an independent testing laboratory. If we fail to provide product in accordance with these requirements and specifications, claims may arise against us or our reputation may be damaged.

The market price of our common stock may be volatile

The market price of our common stock may be volatile. Factors that could cause that volatility include:

- fluctuations in our annual or quarterly financial results or those of our competitors or consolidators having growth strategies similar to ours in other industries;

- price and volume volatility in the stock market generally or in the group of companies having smaller market capitalizations similar to ours;

- changes in the market valuations of other consolidators;

- failures of our operating results to meet the estimates of securities analysts or the expectations of our stockholders or changes by securities analysts in their estimates of our future earnings;

- the perceived risks associated with our possible future issuances of additional shares of common stock;

- changing conditions in our cyclical industry or in the local and regional economies in which we operate; and

- unfavorable publicity or changes in laws or regulations which adversely affect our industry or us.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock

Our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such preferences, powers and relative, participating, optional and other rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might afford holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock. See "Description of Capital Stock -- Preferred Stock" and "-- Stockholders Rights Plan."

Provisions in our corporate documents and Delaware law could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders

The existence of some provisions in our corporate documents and Delaware law could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders. Our certificate of incorporation and bylaws contain provisions that may make acquiring control of our company difficult, including:

- provisions relating to the classification, nomination and removal of our directors;

- provisions limiting the right to call special meetings of our board of directors and our stockholders;

- provisions regulating the ability of our stockholders to bring matters for action at annual meetings of our stockholders;

- a prohibition of action by our stockholders without a meeting; and

- the authorization given to our board of directors to issue and set the terms of preferred stock.

In addition, we have adopted a stockholder rights plan that would cause extreme dilution to any person or group who attempts to acquire a significant interest in U.S. Concrete without advance approval of our board of directors, while the Delaware General Corporation Law would impose some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. See "Description of Capital Stock."

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Forward-Looking Information

This prospectus, including the information we incorporate by reference, includes forward-looking statements within the meaning of Section 27A of the

Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify our forward-looking statements by 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. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus, any prospectus supplement and the documents we have incorporated by reference.

The forward-looking statements are not guarantees of future performance, and we caution you not to rely unduly on them. We have based many of these forward-looking statements on expectations and assumptions about future events that may prove to be inaccurate. Although our management considers these 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. These risks, contingencies and uncertainties relate to, among other matters, the following:

- our acquisition and national operating strategies;
- our ability to integrate the businesses we acquire;
- our ability to obtain the capital necessary to finance our growth strategies;
- the availability of qualified personnel;
- the trends we anticipate in the ready mixed concrete industry and in our business;
- the level of activity in the construction industry generally and in our local markets for ready-mixed concrete;
- the cost of capital, including the interest expense associated with our outstanding borrowings, which is tied to market interest rates;
- our ability to maintain compliance with the covenants under the documents relating to our outstanding indebtedness;
- the highly competitive nature of our business;
- changes in, or our ability to comply with, governmental regulations, including those relating to the environment;
- our labor relations and those of our suppliers of cement and aggregates;
- the level of funding allocated by the United States Government for federal highway, transit and safety spending;
- power outages and other unexpected events that delay or adversely affect our ability to deliver concrete according to our customers' requirements;
- our ability to control costs and maintain quality; and
- our exposure to warranty claims from developers and other customers.

We have discussed some of these factors in more detail in the "Risk Factors" section of this prospectus. These factors are not necessarily all the important factors that could affect us. We advise you that you should (1) be aware that important factors we do not refer to above could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements. We do not intend to update these statements unless the securities laws require us to do so.

Use of Proceeds

Unless we inform you otherwise in the prospectus supplement, we will use the net proceeds from the sale of the offered securities for general corporate purposes. These purposes may include acquisitions, working capital, capital expenditures, repayment and refinancing of indebtedness and repurchases and redemptions of securities. Pending any specific application, we may initially invest those funds in short-term marketable securities or apply them to the reduction of short-term indebtedness.

Ratio of Earnings to Fixed Charges

The following table presents our ratio of earnings to fixed charges for each of the periods shown. We have computed the ratios of earnings to fixed charges by dividing earnings by fixed charges. For this purpose, "earnings" consist of income before income taxes plus fixed charges exclusive of capitalized interest. "Fixed charges" consist of interest, whether expensed or capitalized, amortization of capitalized expenses relating to indebtedness and an estimate of the portion of annual rental expense on operating leases that represents the interest factor. Because our financial statements present Central Concrete Supply Co., Inc., one of the businesses we acquired in May 1999 when we completed our IPO, as the purchaser of the other businesses we have acquired and U.S. Concrete, in accordance with the purchase method of accounting, the following information reflects results of Central only for periods prior to June 1, 1999, the date we recorded our initial acquisitions for accounting purposes, and for U.S. Concrete and its consolidated subsidiaries after that date.

	Nine Months Ended September 30, 2001 (Unaudited)	Year Ended Dec		
		2000	1999	19
Ratio of earnings to fixed charges	1.8x	3.0x	9.3 x	36

Description of Debt Securities

The debt securities this prospectus covers will be our general unsecured obligations. The debt securities will be either senior debt securities or subordinated debt securities. We will issue the debt securities under one or more separate indentures between us and a trustee that we will name in the prospectus supplement. Senior debt securities will be issued under a senior indenture, and subordinated debt securities will be issued under a subordinated indenture. We sometimes call the senior indenture and the subordinated indenture the "indentures."

We have summarized selected provisions of the indentures and the debt securities below. You should read the indentures for more details regarding the provisions we describe below and for other provisions that may be important to you. We have filed the forms of the indentures with the SEC as exhibits to the registration statement. Please read "Where You Can Find More Information."

In this summary description of the debt securities, all references to "U.S. Concrete" or "us" mean U.S. Concrete, Inc. only, unless we state otherwise or the context clearly indicates otherwise.

General

The senior debt securities will constitute senior debt and will rank equally with all our unsecured and unsubordinated debt. The subordinated debt securities will be subordinated to, and thus have a position junior to, any senior debt securities and all our other senior debt. The indentures will not limit the amount of debt we may issue under the indentures, and, unless we inform you otherwise in the prospectus supplement, they will not limit the amount of other unsecured debt or securities we may incur or issue. We may issue debt securities under either indenture from time to time in one or more series, each in an amount we authorize prior to issuance.

We conduct our operations through our subsidiaries, and they generate substantially all our operating income and cash flow. As a result, distributions or advances from our subsidiaries are important sources of funds to meet our debt service obligations. Contractual provisions or laws, as well as our subsidiaries' financial condition and operating requirements, may limit our ability to obtain from our subsidiaries cash that we need to pay our debt service obligations, including payments on the debt securities. In addition, holders of the debt securities will have a position junior to the claims of creditors of our subsidiaries on their assets and earnings.

Unless we inform you otherwise in the prospectus supplement, the indentures and the debt securities will not contain:

- any covenants or other provisions designed to protect holders of the debt securities in the event we participate in a highly leveraged transaction; or

- provisions that give holders of the debt securities the right to require us to repurchase their securities in the event of a decline in our credit rating resulting from a takeover, recapitalization or similar restructuring or otherwise.

The prospectus supplement relating to any series of debt securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

- the title of the debt securities;

- the total principal amount of the debt securities;

- whether the debt securities are senior debt securities or subordinated debt securities;

- whether we will issue the debt securities in individual certificates to each holder or in the form of temporary or permanent global securities held by a depositary on behalf of holders;

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- the date or dates on which the principal of and any premium on the debt securities will be payable;

- any interest rate, the date from which interest will accrue, interest payment dates and record dates for interest payments;
- whether and under what circumstances any additional amounts with respect to the debt securities will be payable;
- the place or places where payments on the debt securities will be payable;
- any provisions for redemption or early repayment;
- any sinking fund or other provisions that would obligate us to redeem, purchase or repay the debt securities prior to maturity;
- the denominations in which we may issue the debt securities;
- whether payments on the debt securities will be payable in foreign currency or currency units or another form, and whether payments will be payable by reference to any index or formula;
- the portion of the principal amount of the debt securities that will be payable if the maturity is accelerated, if other than the entire principal amount;
- any additional means of defeasance of the debt securities, any additional conditions or limitations to defeasance of the debt securities or any changes in those conditions or limitations;
- any changes in or additions to the events of default or covenants this prospectus describes;
- any restrictions or other provisions relating to the transfer or exchange of the debt securities;
- any terms for the conversion or exchange of the debt securities for other securities issued by U.S. Concrete or any other entity; and
- any other terms of the debt securities.

We may sell the debt securities at a discount, which may be substantial, below their stated principal amount. Those debt securities may bear no interest or interest at a rate that at the time of issuance is below market rates.

If we sell any of the debt securities for any foreign currency or currency unit or if payments on the debt securities are payable in any foreign currency or currency unit, we will describe in the prospectus supplement the restrictions, elections, tax consequences, specific terms and other information relating to those debt securities and the foreign currency or currency unit.

Subordination

Under the subordinated indenture, payment of the principal, interest and any premium on the subordinated debt securities will generally be subordinated and junior in right of payment to the prior payment in full of all Senior Debt. Unless we inform you otherwise in the prospectus supplement, we may not make any payment of principal, interest or any premium on the subordinated debt securities if:

- we fail to pay the principal, interest, premium or any other amounts on any Senior Debt when due; or

- we default in performing any other covenant (a "covenant default") in any Senior Debt that we have designated if the covenant default allows the holders of that Senior Debt to accelerate the maturity of the Senior Debt they hold.

Unless we inform you otherwise in the prospectus supplement, a covenant default will prevent us from making payments on the subordinated debt securities only for up to 179 days after holders of the Senior Debt give the trustee for the subordinated debt securities notice of the covenant default.

The subordination provisions will not affect our obligation, which will be absolute and unconditional, to pay, when due, principal of, premium, if any, and interest on the subordinated debt securities. In addition, the subordination provisions will not prevent the occurrence of any default under the subordinated indenture.

Unless we inform you otherwise in the prospectus supplement, the subordinated indenture will not limit the amount of Senior Debt that we may incur. As a result of the subordination of the subordinated debt securities, if we became insolvent, holders of subordinated debt securities may receive less on a proportionate basis than our other creditors.

Unless we inform you otherwise in the prospectus supplement, "Senior Debt" will mean all notes or other indebtedness, including guarantees, of U.S. Concrete for money borrowed and similar obligations, unless the indebtedness states that it is not senior to the subordinated debt securities or our other junior debt.

Consolidation, Merger and Sale of Assets

The indentures generally will permit a consolidation or merger between us and another entity. They also will permit the sale by us of our assets substantially as an entirety to a single entity. The indentures will provide, however, that we may consolidate with another entity to form a new entity or merge into any other entity or transfer or dispose of our assets substantially as an entirety to any other entity only if:

- the resulting entity is organized and existing under the laws of any United States jurisdiction and assumes the due and punctual payments on the debt securities and the performance of our covenants and obligations under the applicable indenture and the debt securities; and

- immediately after giving effect to the transaction, no default or event of default would occur and be continuing.

Events of Default

Unless we inform you otherwise in the prospectus supplement, the following will be events of default with respect to a series of debt securities:

- our failure to pay interest or any required additional amounts on any debt securities of that series for 30 days;

- our failure to pay principal of or any premium on any debt securities of that series when due;

- our failure to deposit any mandatory sinking fund payment for that series of debt securities for 30 days;

- our failure to comply with any of our covenants or agreements in the debt securities of that series or the applicable indenture, other than an agreement or covenant that we have included in that indenture solely for the benefit of other series of debt securities, for 90 days after written notice by the trustee or by the holders of at least 25% in principal amount of all the outstanding debt securities issued under that Indenture that are affected by that failure;

- certain events involving bankruptcy, insolvency or reorganization of U.S. Concrete; and

- any other event of default provided for that series of debt securities.

A default under one series of debt securities will not necessarily be a default under another series. The trustee may withhold notice to the holders of the debt securities of any default or event of default, except in any payment on the debt securities, if the trustee in good faith determines that withholding notice is in the interest of the holders of the debt securities.

If an event of default for any series of debt securities occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the outstanding debt securities of the series affected by the default (or, in some cases, 25% in principal amount of all senior debt securities or subordinated debt securities affected, voting as one class) may declare the principal of and all accrued and all unpaid interest on those debt securities to be due and payable. If an event of default relating to events of bankruptcy, insolvency or reorganization occurs, the principal of and all accrued and unpaid interest on all the debt securities will become immediately due and payable without any action on the part of the applicable trustee or any holder. The holders of a majority in principal amount of the outstanding debt securities of the series affected by the default (or of all senior debt securities or subordinated debt securities affected, voting as one class) may in some cases rescind this accelerated payment requirement. Depending on the terms of our other indebtedness, an event of default under either of the indentures may give rise to cross defaults on our other indebtedness.

A holder of a debt security of any series will be able to pursue any remedy under the applicable indenture only if:

- the holder gives the trustee written notice of a continuing event of default for that series;

- the holders of at least 25% in principal amount of the outstanding debt securities of that series make a written request to the trustee to pursue the remedy;

- the holder or holders offer to the trustee indemnity reasonably satisfactory to it,

- the trustee fails to act for a period of 60 days after receipt of notice and offer of indemnity; and

- during that 60-day period, the holders of a majority in principal amount of the debt securities of that series do not give the trustee a direction inconsistent with the request.

This provision will not, however, affect the right of a holder of a debt security to sue for enforcement of any overdue payment.

In most cases, holders of a majority in principal amount of the outstanding debt securities of a series (or of all debt securities affected, voting as one class) will be able to direct the time, method and place of:

- conducting any proceeding for any remedy available to the applicable trustee; and
- exercising any trust or power conferred on the applicable trustee not relating to or arising in respect of an event of default.

Each indenture will require us to file with the trustee each year a written statement as to our compliance with the covenants that indenture contains.

Modification and Waiver

We may amend or supplement either indenture if the holders of a majority in principal amount of the outstanding debt securities of all series issued under the applicable indenture and affected by the amendment or

supplement, acting as one class, consent to it. Without the consent of the holder of each debt security affected, however, no amendment or supplement may:

- reduce the amount of debt securities whose holders must consent to an amendment, supplement or waiver;
- reduce the rate of or change the time for payment of interest on any debt security;
- reduce the principal of, premium on or any mandatory sinking fund payment for any debt security;
- change the stated maturity of any debt security;
- reduce any premium payable on the redemption of any debt security or change the time at which any debt security may or must be redeemed;
- change any obligation to pay additional amounts on any debt security;
- make the payments on any debt security payable in any currency or currency unit other than as the debt security originally states;
- impair the holder's right to institute suit for the enforcement of any payment on any debt security;
- make any change in the percentage of principal amount of debt securities necessary to waive compliance with specified provisions of the applicable indenture or to make any change in the applicable indenture's provisions for modification;
- waive a continuing default or event of default regarding any payment on any debt security; or
- with respect to the subordinated indenture, modify the provisions relating to the subordination of any subordinated debt security in a manner adverse to the holder of that security.

We and the applicable trustee may agree to amend or supplement either indenture or waive any provision of either indenture without the consent of any holders of debt securities in some circumstances, including:

- to cure any ambiguity, omission, defect or inconsistency;
- to provide for the assumption of our obligations under the indenture by a successor on any merger, consolidation or asset transfer;
- to provide for uncertificated debt securities in addition to or in place of certificated debt securities or to provide for bearer debt securities;
- to provide any security for or add guarantees of any series of debt securities;
- to comply with any requirement to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939;
- to add covenants that would benefit the holders of any debt securities or to surrender any rights we have under the indenture;
- to add events of default with respect to any debt securities;

- to make any change that does not adversely affect any outstanding debt securities of any series in any material respect;
- to facilitate the defeasance or discharge of any series of debt securities if that change does not adversely affect the holders of debt securities of that series or any other series under the indenture in any material respect; and
- to provide for the acceptance of a successor or another trustee.

The holders of a majority in principal amount of the outstanding debt securities of any series (or of all senior debt securities or subordinated debt securities affected, voting as one class) may waive any existing or past default or event of default with respect to those debt securities. Those holders may not, however, waive any default or event of default in any payment on any debt security or compliance with a provision that cannot be amended or supplemented without the consent of each holder affected.

Defeasance

When we use the term "defeasance," we mean discharge from some or all of our obligations under an indenture. If we deposit with the applicable trustee funds or government securities sufficient to make payments on the debt securities of a series on the dates those payments are due and payable, then, at our option, either of the following will occur:

- we will be discharged from our obligations with respect to the debt securities of that series ("legal defeasance"); or
- we will no longer have any obligation to comply with the restrictive covenants under the applicable indenture, and the related events of default will no longer apply to us, but some of our other obligations under the indenture and the debt securities of that series, including our obligation to make payments on those debt securities, will survive ("covenant defeasance").

If we defease a series of debt securities, the holders of the debt securities of the series affected will not be entitled to the benefits of the applicable indenture, except for our obligations to:

- register the transfer or exchange of debt securities;

- replace stolen, lost or mutilated debt securities; and

- maintain paying agencies and hold moneys for payment in trust.

Unless we inform you otherwise in the prospectus supplement, we will be required to deliver to the applicable trustee an opinion of counsel that the deposit and related defeasance would not cause the holders of the debt securities to recognize income, gain or loss for United States federal income tax purposes. If we elect legal defeasance, that opinion of counsel must be based on a ruling from the United States Internal Revenue Service or a change in law to that effect.

Governing Law

New York law will govern the indentures and the debt securities.

Trustee

If an event of default occurs and is continuing, the trustee must use the degree of care and skill of a prudent person in the conduct of his own affairs. The trustee will become obligated to exercise any of its powers under the

indenture at the request of any of the holders of any debt securities only after those holders have offered the trustee indemnity reasonably satisfactory to it.

Each indenture will limit the right of the trustee, if it is one of our creditors, to obtain payment of claims or to realize on certain property received for any such claim, as security or otherwise. The trustee may engage in other transactions with us. If it acquires any conflicting interest, however, it must eliminate that conflict or resign.

Form, Exchange, Registration and Transfer

If we issue the debt securities in registered form, we will not charge a service charge for any registration of transfer or exchange of those securities. We may, however, require the payment of any tax or other governmental charge payable for that registration.

Debt securities of any series will be exchangeable for other debt securities of the same series with the same total principal amount and the same terms but in different authorized denominations in accordance with the applicable indenture. Holders may present registered debt securities for registration of transfer at the office of the security registrar or any transfer agent we designate. The security registrar or transfer agent will effect the transfer or exchange when it is satisfied with the documents of title and identity of the person making the request.

Unless we inform you otherwise in the prospectus supplement, we will appoint the trustee under each indenture as security registrar for the debt securities we issue in registered form under that indenture. If the prospectus supplement refers to any transfer agents initially designated by us, we may at any time rescind that designation or approve a change in the location through which any transfer agent acts. We will be required to maintain an office or agency for transfers and exchanges in each place of payment. We may at any time designate additional transfer agents for any series of debt securities or rescind the designation of any transfer agent.

In the case of any redemption, neither the security registrar nor the transfer agent will be required to register the transfer or exchange of any debt security:

- during a period beginning 15 business days before the day of mailing of the relevant notice of redemption and ending on the close of business on that day of mailing; or

- if we have called the debt security for redemption in whole or in part, except the unredeemed portion of any debt security being redeemed in part.

Payment and Paying Agents

Unless we inform you otherwise in the prospectus supplement, we will make payments on the debt securities in U.S. dollars at the office of the applicable trustee or any paying agent we designate. At our option, we may make payments by check mailed to the holder's registered address or, with respect to global debt securities, by wire transfer. Unless we inform you otherwise in the prospectus supplement, we will make interest payments to the person in whose name the debt security is registered at the close of business on the record date for the interest payment.

Unless we inform you otherwise in the prospectus supplement, we will designate the trustee under each indenture as our paying agent for payments on debt securities we issue under that indenture. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts.

Subject to the requirements of any applicable abandoned property laws, the trustee and paying agent will repay to us on our written request any funds they hold for payments on the debt securities that remain unclaimed for two years after the date upon which that payment has become due. After repayment to us, holders entitled to those funds must look only to us for payment.

Book-entry Debt Securities

We may issue the debt securities of a series in the form of one or more global debt securities that would be deposited with a depositary or its nominee identified in the prospectus supplement. We may issue global debt securities in either temporary or permanent form. We will describe in the prospectus supplement the terms of any depositary arrangement and the rights and limitations of owners of beneficial interests in any global debt security.

Description of Capital Stock

Our authorized capital stock consists of:

- 60,000,000 shares of common stock; and

- 10,000,000 shares of preferred stock, issuable in series.

Each authorized share has a par value of $.001. As of December 31, 2001, 26,549,830 shares of common stock were issued and outstanding. Also as of December 31, 2001, no shares of our preferred stock were issued and outstanding.

In the discussion that follows, we have summarized selected provisions of our certificate of incorporation, as amended, and our amended and restated bylaws relating to our capital stock. You should read the provisions of our certificate of incorporation and bylaws as currently in effect for more details regarding the provisions we describe below and for other provisions that may be important to you. We have filed copies of those documents with the SEC, and they are incorporated by reference as exhibits to the registration statement. Please read "Where You Can Find More Information."

Common Stock

Each share of common stock has one vote in the election of each director and on other corporate matters, other than any matter that (1) solely relates to the terms of any outstanding series of preferred stock or the number of shares of that series and (2) does not affect the number of authorized shares of preferred stock or the powers, privileges and rights pertaining to the common stock. No share of common stock affords any cumulative voting rights. This means that the holders of a majority of the voting power of the shares voting for the election of directors can elect all directors to be elected if they choose to do so. Our board of directors may grant holders of preferred stock, in the resolutions creating the series of preferred stock, the right to vote on the election of directors or any questions affecting us.

Holders of common stock will be entitled to dividends in such amounts and at such times as our board of directors in its discretion may declare out of funds legally available for the payment of dividends. We currently intend to retain our entire available discretionary cash flow to finance the growth, development and expansion of our business and do not anticipate paying any cash dividends on the common stock in the foreseeable future. Any future dividends will be at the discretion of our board of directors after taking into account various factors, including:

- our financial condition and performance;
- our cash needs and expansion plans;
- our obligations to holders of any preferred stock we may issue;
- income tax consequences; and
- the restrictions Delaware and other applicable laws and our credit arrangements then impose.

In addition, the terms of our principal credit facility prohibit the payment of cash dividends.

If we liquidate or dissolve our business, the holders of common stock will share ratably in all assets available for distribution to stockholders after our creditors are paid in full and the holders of all series of our outstanding preferred stock, if any, receive their liquidation preferences in full.

The common stock has no preemptive rights and is not convertible or redeemable or entitled to the benefits of any sinking or repurchase fund. All issued and outstanding shares of common stock are fully paid and

nonassessable. Any shares of common stock we offer and sell under this prospectus will also be fully paid and nonassessable.

The common stock is quoted on the Nasdaq National Market under the symbol "RMIX."

Preferred Stock

At the direction of our board of directors, without any action by the holders of common stock, we may issue one or more series of preferred stock from time to time. Our board of directors can determine the number of shares of each series of preferred stock and the rights, preferences, privileges and restrictions, including dividend rights, voting rights, conversion or exchange rights, terms of redemption and liquidation preferences, of each series.

The prospectus supplement relating to any series of preferred stock we offer will include specific terms relating to the offering. These terms will include some or all of the following:

- the series designation of the preferred stock;
- the maximum number of shares of the series;
- the dividend rate (or the method of calculating the dividend), the date from which dividends will accrue and whether dividends will be cumulative;
- any liquidation preference;
- any optional redemption provisions;
- any sinking fund or other provisions that would obligate us to redeem or repurchase the preferred stock;
- any terms for the conversion or exchange of the preferred stock for any other securities;
- any voting rights; and
- any other preferences and relative, participating, optional or other special rights or any qualifications, limitations or restrictions on the rights of the shares.

Any preferred stock we offer and sell under this prospectus will be fully paid and nonassessable.

The description of the terms of the preferred stock to be set forth in an applicable prospectus supplement will not be complete and will be subject to and qualified by the certificate of designation relating to the applicable series of preferred stock. The registration statement will include the certificate of designation as an exhibit or will incorporate the certificate of designation by reference. You should read that document for provisions that may be important to you.

Undesignated preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and to thereby protect the continuity of our management. The issuance of shares of preferred stock may adversely affect the rights of the holders of common stock. For example, any preferred stock issued may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. As a result, the issuance of shares of preferred stock may discourage bids for common stock or may otherwise adversely affect the market price of the common stock or any existing preferred stock.

Stockholder Rights Plan

On May 10, 1999, we entered into a rights agreement with American Stock Transfer & Trust Company, as rights agent, providing for the issuance of preferred stock purchase rights to holders of common stock. Under the plan, each share of common stock currently includes one right to purchase from us a unit consisting of one one-hundredth of a share of our Series A junior participating preferred stock at an exercise price of $35.00 per unit, subject to adjustment. We have summarized selected provisions of the rights agreement below. You should read the rights agreement for more details regarding the provisions we describe below and for other provisions that may be important to you. We have filed a copy of the rights agreement with the SEC, and it is incorporated by reference as an exhibit to the registration statement. Please read "Where You Can Find More Information."

The rights are attached to all certificates representing our currently outstanding common stock and will attach to all common stock certificates we issue prior to the "rights distribution date." That date would occur, except in some cases, on the earlier of:

- 10 days following a public announcement that a person or group of affiliated or associated persons (collectively, an "acquiring person") has acquired or obtained the right to acquire beneficial ownership of 15% or more of the outstanding shares of common stock; or

- 10 business days following the start of a tender or exchange offer that would result, if closed, in a person's becoming an acquiring person.

Our board of directors may defer the rights distribution date in some circumstances, and some inadvertent acquisitions will not result in a person becoming an acquiring person if the person promptly divests itself of sufficient common stock.

Until the rights distribution date:

- common stock certificates will evidence the rights;

- the rights will be transferable only with those certificates;

- those certificates will contain a notation incorporating the rights agreement by reference; and

- the surrender for transfer of any of those certificates also will constitute the transfer of the rights associated with the stock that certificate represents.

The rights are not exercisable until after the rights distribution date and will expire at the close of business on April 30, 2009, unless we earlier redeem or exchange them as we describe below.

As soon as practicable after the rights distribution date, the rights agent will mail certificates representing the rights to holders of record of common stock as of the close of business on that date and, from and after that date, only separate rights certificates will represent the rights.

We will not issue rights with any shares of common stock we issue after the rights distribution date, except (1) as our board of directors otherwise may determine and (2) together with shares of common stock we issue as a result of previously established incentive plans or convertible securities.

A "flip-in event" will occur under the rights agreement when a person becomes an acquiring person otherwise than as a result of a "permitted offer." The rights agreement defines "permitted offer" to mean a tender or exchange offer for all outstanding shares of common stock at a price and on terms that a majority of the independent members of our board of directors determines to be fair to and otherwise in our best interests and the best interests of our stockholders.

If a flip-in event occurs, our board of directors may, at any time until 10 days after the public announcement that a person has become an acquiring person, cause us to redeem the rights in whole, but not in part, at a redemption price of $.01 per right, subject to adjustment for any stock split, stock dividend or similar transaction occurring before the date of redemption. At our option, we may pay that redemption price in cash, shares of common stock or any other consideration our board of directors selects. The rights will not be exercisable after a flip-in event until they are no longer redeemable. If our board of directors timely orders the redemption of the rights, the rights will terminate on the effectiveness of that action.

If a flip-in event occurs and we do not redeem the rights, each right, other than any right that has become null and void as we describe below, will become exercisable, at the time we no longer may redeem it, to receive the number of shares of common stock (or, in some cases, cash, property or other of our securities) which has a "current market price" (as the rights agreement defines that term) equal to two times the exercise price of the right.

When a flip-in event occurs, all rights that then are, or under the circumstances the rights agreement specifies previously were, beneficially owned by an acquiring person or specified related parties will become null and void in the circumstances the rights agreement specifies.

A "flip-over event" will occur under the rights agreement when, at any time from and after the time a person becomes an acquiring person, (1) we are acquired in a merger or other business combination transaction, other than specified mergers that follow a permitted offer of the type we describe above, or (2) 50% or more of our assets or earning power is sold or transferred. If a flip-over event occurs, each holder of a right (except rights that previously have become void as we describe above) thereafter will have the right to receive, on exercise of that right, the number of shares of common stock of the acquiring company which has a current market price equal to two times the exercise price of the right.

The number of outstanding rights associated with a share of common stock, the number of fractional shares of junior participating preferred stock issuable on exercise of a right and the exercise price of the rights are subject to adjustment in the event of a stock dividend on, or a subdivision, combination or reclassification of, the common stock occurring prior to the rights distribution date. The exercise price of the rights and the number of fractional shares of junior participating preferred stock or other securities or property issuable on exercise of the rights also are subject to adjustment from time to time to prevent dilution in the event of some transactions affecting the junior participating preferred stock.

With some exceptions, the rights agreement will not require us to adjust the exercise price of the rights until cumulative adjustments amount to at least 1% of that exercise price. It also will not require us to issue fractional shares of junior participating preferred stock that are not integral multiples of one one-hundredth, and, in lieu thereof, we will make a cash adjustment based on the market price of the junior participating preferred stock on the last trading date prior to the date of exercise. The rights agreement reserves to us the right to require prior to the occurrence of any flip-in event or flip-over event that, on any exercise of rights, a number of rights must be exercised so that we will issue only whole shares of junior participating preferred stock.

At any time after the occurrence of a flip-in event and prior to a person's becoming the beneficial owner of 50% or more of the shares of common stock then outstanding or the occurrence of a flip-over event, we may, at our option, exchange the rights (other than rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which will have become void), in whole or in part, at an exchange ratio of one share of common stock, and/or other equity securities we deem to have the same value as one share of common stock, per right, subject to adjustment.

During the time we may redeem the rights, we may, at the direction of our board of directors, amend any of the provisions of the rights agreement other than the redemption price. Thereafter, we may amend the provisions of the rights agreement, other than the redemption price, only as follows:

- to cure any ambiguity, defect or inconsistency;

- to make changes that do not materially adversely affect the interests of holders of rights, excluding the interests of any acquiring person; or

- to shorten or lengthen any time period under the rights agreement; provided, however, that we cannot lengthen the time period governing redemption if the rights are no longer redeemable.

Until a right is exercised, the holder thereof, as such, will have no rights to vote or receive dividends or any other rights as a stockholder.

The rights have anti-takeover effects. They will cause severe dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the overall effect of the rights may be to render more difficult or discourage any attempt to acquire us, even if the acquisition may be favorable to the interests of our stockholders. Because our board of directors can redeem the rights or approve a permitted offer, the rights should not interfere with a merger or other business combination our board of directors approves.

Limitation on Directors' Liability

Delaware law authorizes Delaware corporations to limit or eliminate the personal liability of their directors to them and their stockholders for monetary damages for breach of a director's fiduciary duty of care. The duty of care requires that, when acting on behalf of the corporation, directors must exercise an informed business judgment based on all material information reasonably available to them. Absent the limitations Delaware law authorizes, directors of Delaware corporations are accountable to those corporations and their stockholders for monetary damages for conduct constituting gross negligence in the exercise of their duty of care. Delaware law enables Delaware corporations to limit available relief to equitable remedies such as injunction or rescission. Our certificate of incorporation limits the liability of our directors to us or our stockholders to the fullest extent Delaware law permits. Specifically, no member of our board of directors will be personally liable for monetary damages for any breach of the member's fiduciary duty as a director, except for liability:

- for any breach of the member's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; and
- for any transaction from which the member derived an improper personal benefit.

This provision could have the effect of reducing the likelihood of derivative litigation against our directors and may discourage or deter our stockholders or management from bringing a lawsuit against our directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited our stockholders and us. Our bylaws provide indemnification to our officers and directors and other specified persons with respect to their conduct in various capacities, and we have entered into agreements with each of our directors and executive officers which indemnify them to the fullest extent Delaware law and our certificate of incorporation permit.

Statutory Business Combination Provision

As a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an "interested stockholder," which is defined generally as a person owning 15% or more of a Delaware corporation's outstanding voting stock or any affiliate or associate of that person, from engaging in a broad range of "business combinations" with the corporation for three years following the date that person became an interested stockholder unless:

- before that person became an interested stockholder, the board of directors of the corporation approved the transaction in which that person became an interested stockholder or approved the business combination;
- on completion of the transaction that resulted in that person's becoming an interested stockholder, that person owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than stock held by (1) directors who are also officers of the corporation or (2) any employee stock plan that does not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- following the transaction in which that person became an interested stockholder, both the board of directors of the corporation and the holders of at least two-thirds of the outstanding voting stock of the corporation not owned by that person approve the business combination.

Under Section 203, the restrictions described above also do not apply to specific business combinations proposed by an interested stockholder following the announcement or notification of designated extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation's directors, if a majority of the directors who were directors prior to any person's becoming an interested stockholder during the previous three years, or were recommended for election or elected to succeed those directors by a majority of those directors, approve or do not oppose that extraordinary transaction.

Other Matters

Some of the provisions of our certificate of incorporation and bylaws discussed below may have the effect, either alone or in combination with the provisions of Section 203 of the Delaware General Corporation Law, of making more difficult or discouraging a tender offer, proxy contest or other takeover attempt that our board of directors opposes but that a stockholder might consider to be in its best interest.

Our certificate of incorporation provides that our stockholders may act only at an annual or special meeting of stockholders and may not act by written consent. Our bylaws provide that only the chairman of our board of directors or a majority of the board may call a special meeting of our board of directors or of our stockholders.

Our certificate of incorporation provides for a classified board of directors. Except for directors that the holders of preferred stock may elect, our board of directors is divided into three classes, with the directors of each class as nearly equal in number as possible. At each annual meeting of our stockholders, the term of a different class of our directors will expire. As a result, we contemplate that stockholders will elect approximately one-third of our board of directors each year. Board classification could prevent a party who acquires control of a majority of our outstanding voting stock from obtaining control of our board of directors until the second annual stockholders' meeting following the date that party obtains that control.

Our certificate of incorporation provides that the number of directors will be as the board of directors determines from time to time, but will not be less than three. It also provides that directors may be removed only for cause and then only by the affirmative vote of the holders of at least a majority of all outstanding voting stock entitled to vote. This provision, along with the provisions authorizing the board of directors to fill vacant directorships, will prevent stockholders from removing incumbent directors without cause and filling the resulting vacancies with their own nominees.

Stockholder Proposals

Our bylaws contain advance-notice and other procedural requirements that apply to stockholder nominations of persons for election to the board of directors at any annual or special meeting of stockholders and to stockholder proposals that stockholders take any other action at any annual meeting. In the case of any annual meeting, a stockholder proposing to nominate a person for election to the board of directors or proposing that any

other action be taken must give our corporate secretary written notice of the proposal not less than 90 days and not more than 180 days before the anniversary date of the immediately preceding annual meeting. These stockholder proposal deadlines are subject to exceptions if the pending annual meeting date differs by more than specified periods from that anniversary date. If the chairman of our board of directors or a majority of the board of directors calls a special meeting of stockholders for the election of directors, a stockholder proposing to nominate a person for that election must give our corporate secretary written notice of the proposal not earlier than 180 days prior to that special meeting and not later than the last to occur of (1) 90 days prior to that special meeting or (2) the 10th day following the day we publicly disclose the date of the special meeting. Our bylaws prescribe the specific information any advance written stockholder notice must contain.

The advance-notice procedure may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of those nominees or proposals might be harmful or beneficial to our company and our stockholders.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is American Stock Transfer & Trust Company.

Description of Warrants

We may issue warrants to purchase debt securities, common stock, preferred stock or other securities. We may issue warrants independently or together with other securities. Warrants we sell with other securities may be attached to or separate from those other securities. If we issue warrants, we will do so under one or more warrant agreements between us and a warrant agent that we will name in the prospectus supplement.

We have summarized selected provisions of the warrants below. If we offer any warrants, we will file the forms of warrant certificate and warrant agreement with the SEC, and you should read those documents for provisions that may be important to you.

The prospectus supplement relating to any warrants being offered will include specific terms relating to the offering. These terms will include some or all of the following:

- the title of the warrants;
- the aggregate number of warrants offered;
- the designation, number and terms of the debt securities, common stock, preferred stock or other securities purchasable on exercise of the warrants, and procedures that may result in the adjustment of those numbers;
- the exercise price of the warrants;
- the dates or periods during which the warrants are exercisable;
- the designation and terms of any securities with which the warrants are issued;
- if the warrants are issued as a unit with another security, the date on and after which the warrants and the other security will be separately transferable;
- if the exercise price is not payable in U.S. dollars, the foreign currency, currency unit or composite currency in which the exercise

price is denominated;

- any minimum or maximum amount of warrants that may be exercised at any one time;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the warrants; and
- any other terms of the warrants.

Warrant certificates will be exchangeable for new warrant certificates of different denominations at the office indicated in the prospectus supplement. Prior to the exercise of their warrants, holders of warrants will not have any of the rights of holders of the securities subject to the warrants.

Modifications

We may amend the warrant agreements and the warrants without the consent of the holders of the warrants to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding warrants.

We may also modify or amend various other terms of the warrant agreements and the warrants with the consent of the holders of not less than a majority in number of the then outstanding unexercised warrants affected. Without the consent of the holders affected, however, no modification or amendment may:

- shorten the period of time during which the warrants may be exercised; or
- otherwise materially and adversely affect the exercise rights of the holders of the warrants.

Enforceability of Rights

The warrant agent will act solely as our agent. The warrant agent will not have any duty or responsibility if we default under the warrant agreements or the warrant certificates. A warrant holder may, without the consent of the warrant agent, enforce by appropriate legal action on its own behalf the holder's right to exercise the holder's warrants.

Plan of Distribution

We may sell the offered securities in and outside the United States (1) through underwriters or dealers, (2) directly to purchasers or (3) through agents. The prospectus supplement will set forth the following information:

- the terms of the offering;
- the names of any underwriters or agents;
- the name or names of any managing underwriter or underwriters;
- the purchase price of the securities from us;

- the net proceeds we will receive from the sale of the securities;
- any delayed delivery arrangements;
- any underwriting discounts, commissions and other items constituting underwriters' compensation;
- any initial public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any commissions paid to agents.

Sale Through Underwriters or Dealers

If we use underwriters in the sale of the offered securities, the underwriters will acquire the securities for their own account. The underwriters may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may offer securities to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless we inform you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to several conditions, and the underwriters will be obligated to purchase all the offered securities if they purchase any of them. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers.

If we use underwriters in the sale of the offered securities, rules of the SEC may limit the ability of the underwriters and certain selling group members to bid for and purchase our securities until the distribution of the offered securities is completed. As an exception to these rules, the underwriters are permitted to engage in certain transactions that stabilize, maintain or otherwise affect the price of the offered securities.

In connection with an underwritten offering, the underwriters may make short sales of the offered securities and may purchase our securities on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of securities than they are required to purchase in the offering. "Covered" short sales are made in an amount not greater than the over-allotment option we may grant to the underwriters in connection with the offering. The underwriters may close out any covered short position by either exercising the over-allotment option or purchasing our securities in the open market. In determining the source of securities to close out the covered short position, the underwriters will consider, among other things, the price of securities available for purchase in the open market as compared to the price at which they may purchase securities through the over-allotment option. "Naked" short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing our securities in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the securities in the open market after pricing that could adversely affect investors who purchase in the offering.

The underwriters may also impose a penalty bid on certain selling group members. This means that if the underwriters purchase our securities in the open market to reduce the selling group members' short position or to stabilize the price of the securities, they may reclaim the amount of the selling concession from the selling group members who sold those securities as part of the offering.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of those purchases or those purchases could prevent or retard a decline in the price of the security. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither we nor the underwriters will make any representation or prediction as to the direction or magnitude of any effect that the transactions we describe above may have on the price of the offered securities. In addition, neither we nor the underwriters will make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

If we use dealers in the sale of securities, we will sell the securities to them as principals. They may then resell those securities to the public at varying prices determined by the dealers at the time of resale. We will include in the prospectus supplement the names of the dealers and the terms of the transaction.

We may also sell shares of our common stock through Ramius Securities, LLC under the underwriting agreement we describe below under "Existing Underwriting Arrangement."

Direct Sales and Sales Through Agents

We may sell the securities directly. In that event, no underwriters or agents would be involved. We may also sell the securities through agents we designate from time to time. In the prospectus supplement, we will name any agent involved in the offer or sale of the offered securities, and we will describe any commissions payable by us to the agent. Unless we inform you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any sale of those securities. We will describe the terms of any such sales in the prospectus supplement.

Existing Underwriting Arrangement

We have entered into a Flexible Underwritten Equity FaciLity (FUEL(R)) Agreement, dated as of January 7, 2002, with Ramius Securities LLC, as underwriter. We have summarized that agreement below. In the following discussion, we refer to that agreement as the underwriting agreement. You should read the underwriting agreement for more details regarding the provisions we describe below and for other provisions that may be important to you. We have filed a copy of the underwriting agreement with the SEC, and it is incorporated by reference as an exhibit to the registration statement. Please read "Where You Can Find More Information."

Under the underwriting agreement, we may issue and sell through the underwriter shares of our common stock from time to time until January 7, 2004, or until the earlier termination of the underwriting agreement under the termination provisions we describe below. The underwriting agreement does not obligate us to sell any shares of common stock through the underwriter. If we elect to sell shares of common stock under the underwriting agreement, we may issue and sell an aggregate number of shares, in a series of capital raising periods (each consisting of ten trading days), that results in up to a maximum of $12,255,168 in aggregate gross proceeds to us, provided that the total amount of common stock we may offer and sell under the underwriting agreement will not exceed 1,800,000 shares. During each capital raising period, we may elect to issue and sell a number of shares of common stock with an aggregate value of not less than $1,500,000 and not more than $6,000,000 by giving the underwriter a capital demand notice. In each capital demand notice, we will specify a minimum offering price per share at which we are willing to sell the shares of common stock being offered.

After we deliver a capital demand notice and subject to the satisfaction of the conditions we describe below, the underwriter (1) will be obligated to sell a portion of the shares of common stock to be offered pursuant to the capital demand notice on a firm-commitment basis and (2) will offer the remaining shares to be offered pursuant to that capital demand notice on a best-efforts basis. The number of shares to be sold on a firm-commitment basis will equal the number of shares whose proceeds equal the lesser of (1) the sum of the qualified daily trading limit for

each trading day during the capital raising period or (2) $1,000,000. The qualified daily trading limit for any trading day will generally be the lesser of 10% of the dollar amount of the net proceeds we request in the capital demand notice or 15% of the dollar trading volume of our common stock (excluding block trades of more than 5,000 shares) traded at or above the minimum offering price on that trading day. The underwriter may elect to reduce the number of shares to be sold on a firm-commitment basis to zero, if the volume weighted average price per share of our common stock is below the minimum offering price we specify in the capital demand notice for any four consecutive trading days during the capital raising period. In addition, the underwriter will not be obligated to sell shares of common stock during any capital raising period if the aggregate value of the number of shares to be sold on a firm-commitment basis is less than $100,000.

Any shares of common stock the underwriter sells under the underwriting agreement will be sold at prices related to the then prevailing market price for our common stock. During a capital raising period, the underwriter will effectively pay us for any shares it sells on our behalf on any trading day a purchase price equal to the daily volume weighted average price for that trading day, excluding block trades of more than 5,000 shares, as reported by Bloomberg Financial LP, less a discount of either 4.00 or 4.25%, depending on our market capitalization on the day we provide the related capital demand notice to the underwriter.

Under the terms of the underwriting agreement, the underwriter and its affiliates are prohibited from engaging in any put, call, short-sale, hedge, straddle, collar or similar transaction with respect to any shares of our common stock.

Under some circumstances, the underwriter will not be obligated to sell any shares of our common stock following our delivery of a capital demand notice. These circumstances generally include:

- the withdrawal or suspension of the effectiveness of the registration statement;

- our failure to maintain the inclusion of our common stock on the Nasdaq National Market;

- a suspension of trading of our common stock on the Nasdaq National Market;

- a general suspension of trading of securities on the Nasdaq National Market;

- a general moratorium on commercial banking activities or securities clearance and settlement services declared by federal or New York state authorities;

- a material outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war that, in the reasonable judgment of the underwriter, makes it impracticable to proceed with the offering;

- our failure to satisfy the conditions precedent to sales of common stock that the underwriting agreement sets forth;

- our failure to comply with our covenants that the underwriting agreement sets forth;

- any merger or consolidation of our company into another entity;

- a transfer of all or substantially all of our assets to another entity; or

- the occurrence of an event which makes any statement of material fact made in this prospectus, the registration statement, any amendment to the registration statement, any supplement to this prospectus or any document we have incorporated by reference into this prospectus untrue in any material respect or which requires us to amend the registration statement or this prospectus.

The underwriter may terminate the underwriting agreement if:

- we commit a material breach of any of our representations, warranties or covenants or other obligations in the underwriting agreement;

- we fail to comply with our covenants the underwriting agreement sets forth;

- we merge or consolidate with another entity or transfer all or substantially all of our assets to another entity;

- the underwriter reasonably determines that the adoption of, change in, or any change in the interpretation or application of any law, regulation, rule, guideline or treaty makes it illegal or materially impracticable for the underwriter to fulfill its commitment under the terms of the underwriting agreement; or

- we fail to maintain the inclusion of our common stock on the Nasdaq National Market or the suspension of trading on that market for a period of ten or more consecutive trading days.

We may, in our sole discretion, terminate the underwriting agreement at any time.

We have paid the underwriter $50,000 to cover a portion of its out-of-pocket expenses in connection with the execution of the underwriting agreement and its conduct of an initial due diligence review of our company. In addition, we have agreed to pay the underwriter's reasonable out-of-pocket expenses relating to its ongoing due diligence review in any quarter in which we provide the underwriter a capital demand notice, up to a maximum of $8,000 per quarter. We have also agreed that:

- if we do not raise an aggregate of at least $1 million within one year of the date of the underwriting agreement, we will pay the underwriter a stand-by fee of 5% of the difference between $1 million and the amount raised during that year; and

- if we do not raise an aggregate of at least $2 million within two years of the date of the underwriting agreement, we will pay the underwriter a stand-by fee equal to 5% of the difference between the $2 million and the amount raised during that two-year period; provided, however, that the total of the aggregate standby-fees we pay will not exceed $100,000.

If we raise at least $2 million within two years of the date of the underwriting agreement, the underwriter will refund to us any previously paid stand-by fees. At our option, we may pay the stand-by fees in cash or in shares of our common stock, valued at the then current market price, to the extent permitted by the applicable rules of the National Association of Securities Dealers, Inc.

We have entered into a letter agreement with Credit Lyonnais Securities (USA) Inc. ("CLS"), which acted as a finder in connection with the underwriting agreement. You should read that letter agreement for more details regarding the provisions we describe below and for other provisions that may be important to you. We have filed a copy of that letter agreement with the SEC as an exhibit to the registration statement.

Under the terms of our letter agreement with CLS, we have agreed to pay CLS a finder's fee of either 2.75% or 3.00% (depending on our market capitalization on the day we provide the related capital demand notice to the underwriter) of the aggregate price the underwriter pays us for those shares. We have also paid CLS an expense allowance of $50,000, which is to be refunded to us if and to the extent CLS does not incur up to $50,000 of costs and expenses in connection with these arrangements. CLS introduced us to the underwriter, but CLS is not a party to, and is not obligated to purchase any shares of our common stock under, the underwriting agreement.

The total compensation we pay to the underwriter and CLS will depend on the amount of net proceeds, if any, we seek to obtain under the underwriting agreement and the aggregate sales proceeds from any shares of

common stock the underwriter sells on our behalf under the underwriting agreement. However, in no event will the total commissions and finder's fees we pay to the underwriter and CLS during any capital raising period exceed 7% of the aggregate gross proceeds attributable to sales of common stock under the underwriting agreement during that capital raising period.

We have agreed to indemnify the underwriter and CLS against certain civil liabilities, including liabilities under the Securities Act of 1933.

Delayed Delivery Contracts

If we so indicate in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from various types of institutions to purchase securities from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions the prospectus supplement describes. The prospectus supplement will describe the commission payable for solicitation of those contracts.

General Information

We may have agreements with the agents, dealers and underwriters to indemnify them against civil liabilities, including liabilities under the Securities Act of 1933, or to contribute with respect to payments that the agents, dealers or underwriters may be required to make. Agents, dealers and underwriters may be customers of, engage in transactions with or perform services for us in the ordinary course of their businesses.

Legal Matters

Baker Botts L.L.P., Houston, Texas, our outside counsel, will issue an opinion about the legality of the offered securities for us. Any underwriters will be advised about other issues relating to any offering by their own legal counsel.

Experts

The audited financial statements incorporated by reference in this prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

Where You Can Find More Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy any materials we file with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains information we file electronically with the SEC, which you can access over the Internet at http://www.sec.gov.

This prospectus is part of a registration statement we have filed with the SEC relating to the securities. This prospectus does not contain all the information the registration statement sets forth or includes in its exhibits, in accordance with the rules and regulations of the SEC, and we refer you to that omitted information. The statements this prospectus makes respecting the content of any contract, agreement or other document that is an exhibit to the registration statement necessarily are summaries of their material provisions, and we qualify them in their entirety by reference to those exhibits for complete statements of their provisions. The registration statement and its exhibits are available at the SEC's public reference room or through its Web site.

The SEC allows us to "incorporate by reference" the information we file with it, which means we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus, and later information we file with the SEC will automatically

update and supersede that information. We incorporate by reference the documents listed below, and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all the offered securities. The documents we incorporate by reference are:

- our annual report on Form 10-K for the year ended December 31, 2000;
- our quarterly reports on Form 10-Q for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001;
- our current reports on Form 8-K dated April 10, 2001 and July 12, 2001; and
- the description of the common stock and the description of the rights to purchase preferred stock in our registration statements on Form 8-A filed on May 10, 1999.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus has been delivered, upon written or oral request, a copy of any or all the documents we incorporate by reference in this prospectus, other than any exhibit to any of those documents, unless we have specifically incorporated that exhibit by reference into the information this prospectus incorporates. You may request copies by writing or telephoning us at the following address:

U.S. Concrete, Inc.
2925 Briarpark Suite 500
Houston, Texas 77042
Attention: Corporate Secretary
Telephone: (713) 499-6200

You should rely only on the information we have provided or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized any person (including any salesman or broker) to provide information other than that this prospectus or any prospectus supplement provides. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on its cover page or that any information in any document we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Accordingly, we urge you to review each document we subsequently file with the SEC and incorporate by reference as we describe above for updated information.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth expenses payable by U.S. Concrete, Inc. ("U.S. Concrete" or the "Company") in connection with the issuance and distribution of the securities being registered. All the amounts shown are estimates, except the SEC registration fee.

SEC registration fee..	$
Printing expenses..	
Legal fees and expenses..	

Accounting fees and expenses..........	
Expense reimbursements to Ramius Securities LLC..........	
Expense payment to Credit Lyonnais Securities (USA) Inc..........	
Fees and expenses of trustee and counsel..........	
Fees and expenses of transfer agent..........	
Rating agency fees..........	
Miscellaneous expenses..........	
Total..........	

Item 15. Indemnification of Directors and Officers.

Delaware General Corporation Law

Section 145 of the Delaware General Corporation Law (the "DGCL") empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director or officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by that person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. A Delaware corporation may indemnify directors, officers, employees and others against expenses (including attorneys' fees) in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the person to be indemnified has been adjudged to be liable to the corporation. Where a director or officer is successful on the merits or otherwise in the defense of any action referred to above or in defense of any claim, issue or matter therein, the corporation must indemnify that director or officer against the expenses (including attorneys' fees) which he or she actually and reasonably incurred in connection therewith.

Section 102(b)(7) of the DGCL provides that a certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the DGCL or (4) for any transaction from which the director derived an improper personal benefit.

Certificate of Incorporation and Bylaws

Article Seventh of U.S. Concrete's restated certificate of incorporation states that:

> No director of the Corporation will be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing

provisions will not eliminate or limit the liability of a director (a) for any breach of that director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL, as the same exists or as that provision hereafter may be amended, supplemented or replaced, or (d) for any transaction from which that director derived an improper personal benefit. If the DGCL is amended after the filing of this Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, will be limited to the fullest extent permitted by that law, as so amended. Any repeal or modification of this Article Seventh by the stockholders of the Corporation will be prospective only and will not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of that repeal or modification.

In addition, Article VI of U.S. Concrete's bylaws further provides that U.S. Concrete shall indemnify its officers and directors to the fullest extent permitted by law.

Indemnification Agreements and Insurance

U.S. Concrete has entered into indemnification agreements with each of its executive officers and directors. These indemnification agreements generally provide the Company's directors and executive officers with contractual rights of indemnification to the same extent provided by Section 145 of the Delaware General Corporation Law and Article VI of U.S. Concrete's bylaws.

Agreements the Company may enter into with underwriters, dealers and agents who participate in the distribution of securities of the Company may contain provisions relating to the indemnification of the Company's officers and directors.

The Company also maintains directors' and officers' liability insurance for its directors and officers that protects them from certain losses arising from claims or charges made against them in their capacities as directors or officers of the Company.

Item 16. Exhibits.*

Exhibit No.	Description of Exhibit
*1.1 -	Form of Underwriting Agreement.
1.2 -	Flexible Underwritten Equity FaciLity (FUEL(R)) Agreement dated as of January 7, 2002 between Ramius Securities, LLC and U.S. Concrete.
1.3 -	Amended and restated engagement letter agreement dated as of January 18, 2002 between Credit Lyonnais Securities (USA) Inc. and U.S. Concrete.
**2.1 -	Agreement and Plan of Reorganization dated as of March 22, 1999 by and among U.S. Concrete, OCC Acquisition Inc., Opportunity Concrete Corporation and the stockholders named therein (Form S-1 (Reg. No. 333-74855), Exhibit 2.1).
**2.2 -	Agreement and Plan of Reorganization dated as of March 22, 1999 by and among U.S. Concrete, Walker's Acquisition Inc., Walker's Concrete, Inc. and the stockholders named therein (Form S-1 (Reg. No. 333-74855), Exhibit 2.2).

Exhibit No. Description of Exhibit

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**2.3 - Agreement and Plan of Reorganization dated as of March 22, 1999 by and among U.S. Concrete, Central Concrete Acquisition Inc., Central Concrete Supply Co., Inc. and the stockholders named therein (Form S-1 (Reg. No. 333-74855), Exhibit 2.3).

**2.4 - Agreement and Plan of Reorganization dated as of March 22, 1999 by and among U.S. Concrete, Bay Cities Acquisition Inc., Bay Cities Building Materials Co., Inc. and the stockholders named therein (Form S-1 (Reg. No. 333-74855), Exhibit 2.4).

**2.5 - Agreement and Plan of Reorganization dated as of March 22, 1999 by and among U.S. Concrete, Baer Acquisition Inc., Baer Concrete, Incorporated and the stockholders named therein (Form S-1 (Reg. No. 333-74855), Exhibit 2.5).

**2.6 - Agreement and Plan of Reorganization dated as of March 22, 1999 by and among U.S. Concrete, Santa Rosa Acquisition Inc., R.G. Evans/Associates d/b/a Santa Rosa Cast Products Co. and the stockholders named therein (Form S-1 (Reg. No. 333-74855), Exhibit 2.6).

**2.7 - Uniform Provisions for the Acquisitions (incorporated into the agreements filed as Exhibits 2.1 through 2.6 hereto) (Form S-1 (Reg. No. 333-74855), Exhibit 2.7).

**2.8 - Acquisition Agreement and Plan of Reorganization dated as of September 14, 1999 by and among U.S. Concrete, Inc., Concrete XI Acquisition, Inc., Carrier Excavation and Foundation Company, John F. Carrier, William Henry Carrier, Michael K. Carrier, Mary G. Carrier, Trustee for Anne Carrier (TN UGMA), William Henry Carrier, Trustee for William Henry Carrier, Jr. (TN UGMA), and Mary G. Carrier (Form 10-K for the year ended December 31, 1999 (File No. 000-26025), Exhibit 2.8).

**2.9 - Stock Purchase Agreement dated as of November 5, 1999 by and among U.S. Concrete, Inc., B. Thomas Stover, as Trustee under Trust Agreement dated February 20, 1986 for B. Thomas Stover, Sarah M. Stover, as Trustee under Trust Agreement dated February 27, 1990 for Sarah M. Stover, B. Andrew Stover, B. Thomas Stover, Custodian under Michigan Uniform Gifts to Minors Act for the benefit of Carolyn A. Stover, Jeffery D. Spahr, Jeffrey T. Stover, and Bradley C. Stover (Form 10-K for the year ended December 31, 1999 (File No. 000-26025), Exhibit 2.9).

**2.10 - Stock Purchase Agreement dated as of January 20, 2000 by and among Robert S. Beall, Chase Bank of Texas, National Association, in its capacity as Trustee for Allison Beall 1999 Trust, Logan Beall 1999 Trust, Allison Beall Descendants' Trust and Logan Beall Descendants' Trust and U.S. Concrete, Inc. (Form 8-K dated February 23, 2000 (File No. 000-26025), Exhibit 2.1).`

**2.11 - Amendment No. 1 to Stock Purchase Agreement dated January 28, 2000 by and among Robert S. Beall, Chase Bank of Texas, National Association, in its capacity as Trustee for Allison Beall 1999 Trust, Logan Beall 1999 Trust, Allison Beall

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- additions or departures of key personnel;
- announcements of innovations or new services by us or our competitors;
- our sales of common stock or other securities in the future; and
- other events or factors, many of which are beyond our control.

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Due to these factors, you may not be able to sell your stock at or above the price you paid for it, which could result in substantial losses.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company's principal executive office is located at 60 Centurian Drive, Suite 112, Markham, Ontario, Canada, L3R 9R2. The approximate monthly rent is $7,000 for 4,200 square feet under a lease expiring February 28, 2015. Working out of the principal executive office are the President, Alexander W. Millar, the Chief Executive Officer, Sheldon Hoffman, and the Chief Financial Officer, Lloyd Hoffman.

The Building Supply segment manufacturing facility is located at 301 South Blanchard Street, Valdosta, Georgia. The monthly rent is $36,000 for 165,400 square feet. This lease expires on April 30, 2020.

The Disposable Protective Apparel segment has its cutting operation, warehousing and shipping facility at 1287 Fairway Drive, Nogales, Arizona. The monthly rent is $17,000 for 60,000 square feet. This lease expires on December 31, 2013.

The Company manufactures its surgical face masks at 236 North 2200 West, Salt Lake City, Utah. The monthly rent is $18,000 for 34,500 square feet. This lease expires on July 31, 2016.

The Company believes that these arrangements are adequate for its present needs and that other premises, if required, are readily available.

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

N/A

PART II

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

MARKET INFORMATION

The Company's common stock trades on the NYSE MKT (formerly the NYSE Amex and the American Stock Exchange) (the "NYSE MKT") under the symbol "APT."

The following table sets forth the low and high sales prices of the Company's common stock for the periods indicated, as reported by the NYSE MKT.

	Low	High
2011 First Quarter	$ 1.30	$ 1.87
Second Quarter	1.10	1.41
Third Quarter	1.01	1.29
Fourth Quarter	0.93	1.28
2012 First Quarter	$ 1.21	$ 1.58
Second Quarter	1.20	1.56
Third Quarter	1.30	1.52
Fourth Quarter	1.36	1.69
2013 First Quarter (Through February 28, 2013)	$ 1.42	$ 1.94

As of February 28, 2013, the Company's common stock was held by 228 shareholders of record and approximately 4,700 beneficial owners.

DIVIDEND POLICY

The holders of the Company's common stock are entitled to receive such dividends as may be declared by the Board of Directors of the Company from time to time to the extent that funds are legally available for payment thereof. The Company has never declared or paid any dividends on any of its outstanding shares of common stock. It is the current policy of the Board of Directors to retain any earnings to provide for the development and growth of the Company. Consequently, the Company has no current plans to pay cash dividends in the foreseeable future.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth purchases made by or on behalf of the Company or any "affiliated purchaser," as defined in Rule 10b-18 (a)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"), during the fourth quarter of 2012.

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as	Approximate Dollar Value of Shares that

			Part of Publicly Announced Programs (1)	May Yet be Purchased Under the Programs (1)
October 1-31, 2012	184,400	$ 1.53	184,400	$ 1,246,000
November 1-30, 2012	202,900	1.55	202,900	931,000
December 1-31, 2012	140,100	1.43	140,100	729,000
Total	527,400	1.51	527,400	729,000

(1) Pursuant to the Company’s share repurchase program, on February 1, 2013, the Company announced that the Board of Directors had authorized a $2,000,000 expansion of the Company’s existing share repurchase program.Under the share repurchase program, the Company is authorized to repurchase up to a total of $13,520,000 of common stock.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not sell any unregistered equity securities during the periods covered by this Annual Report on Form 10-K.

Item 6. Selected Financial Data

As a smaller reporting company, we are not required to provide the information required by this item.

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

You should read the following discussion and analysis together with our consolidated financial statements and the notes to our consolidated financial statements, which appear elsewhere in this report.

Special Note Regarding Forward-Looking Statements

Certain information set forth in this Annual Report on Form 10-K contains "forward-looking statements" within the meaning of federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to potential acquisitions and other information that is not historical information. When used in this report, the words "estimates," "expects," "anticipates," "forecasts," "plans," "intends," "believes" and variations of such w similar expressions are intended to identify forward-looking statements. We may make additional forward-looking statements from time to time. All forward-looking statements, whether written or oral and whether made by us or on our behalf, also are expressly qualified by this special note.

Any expectations based on these forward-looking statements are subject to risks and uncertainties. These and many other factors could affect the Company's future operating results and financial condition and could cause actual results to differ materially from expectations based on forward-looking statements made in this document or elsewhere by the Company or on its behalf.

Special Note Regarding Smaller Reporting Company Status

We are filing this Annual Report on Form 10-K as a "smaller reporting company" (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended) because our public float (the aggregate market value of our common equity held by non-affiliates of the Company) was below the required threshold as of the last business day of our second fiscal quarter of 2012. As a result of being a smaller reporting company, we are allowed and have elected to omit certain information from this Management's Discussion and Analysis of Financial Condition and Results of Operations; however, we have provided all information for the periods presented that we believe to be appropriate.

Critical Accounting Policies

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles ("US GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of net sales and expenses during the reported periods. We base estimates on past experience and on various other assumptions that are believed to be reasonable under the circumstances. The application of these accounting policies on a consistent basis enables us to provide timely and reliable financial information. Our critical accounting polices include the following:

Inventories: Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (computed on a standard cost basis, which approximates average cost) or market. Allowances are recorded for slow-moving, obsolete or unusable inventory. We assess our inventory for estimated obsolescence or unmarketable inventory and write down the difference between the cost of inventory and the estimated market value based upon assumptions about future sales and supply on-hand, if necessary. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Accounts Receivable: Accounts receivable are recorded at the invoice amount and do not bear interest. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable; however, changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future. The Company determines the allowance based upon historical write-off experience and known conditions about customers’ current ability to pay. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

Revenue Recognition: For sales transactions, we comply with the provisions of the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 104, Revenue Recognition, which states that revenue should be recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) title transfers and the customer assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. These criteria are satisfied upon shipment of product, and revenues are recognized accordingly.

Sales Returns, Rebates and Allowances: Sales are reduced for any anticipated sales returns, rebates and allowances based on historical experience. Since our return policy is only 90 days and our products are not generally susceptible to external factors such as technological obsolescence or significant changes in demand, we are able to make a reasonable estimate for returns. We offer end-user product specific and sales volume rebates to select distributors. Our rebates are based on actual sales and are accrued monthly.

Stock-Based Compensation: Alpha Pro Tech accounts for stock-based awards using Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, Stock Compensation ("ASC 718"). ASC 718 requires companies to record compensation expense for the value of all outstanding and unvested share-based payments, including employee stock options and similar awards.

The fair values of stock option grants are determined using the Black-Scholes-Merton option pricing model and are based on the following assumptions: expected stock price volatility based on historical data and management's expectations of future volatility, risk-free interest rates from published sources, years to maturity based on historical data and no dividend yield, as the Board of Directors currently has no plans to pay dividends in the near future. The Black-Scholes-Merton option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and that are fully transferable. In addition, the option valuation model requires the input of highly subjective assumptions, including expected stock price volatility. Our stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value of such options.

OVERVIEW

Alpha Pro Tech is in the business of protecting people, products and environments. We accomplish this by developing, manufacturing and marketing a line of high-value, disposable protective apparel and infection control products for the cleanroom, industrial, pharmaceutical, medical and dental markets. We also manufacture a line of building supply construction weatherization products. Our products are sold under the "Alpha Pro Tech" brand name, as well as under private label.

Our products are grouped into three business segments: the Building Supply segment, consisting of construction weatherization products, such as housewrap and synthetic roof underlayment; the Disposable Protective Apparel segment, consisting of disposable protective apparel such as shoecovers, bouffant caps, gowns, coveralls, lab coats, frocks and other miscellaneous products; and the Infection Control segment, consisting of face masks and eye shields. All financial information presented herein reflects the current segmentation.

Our target markets include pharmaceutical manufacturing, bio-pharmaceutical manufacturing and medical device manufacturing, lab animal research, high technology electronics manufacturing (which includes the semi-conductor market), medical and dental distributors, and construction, building supply and roofing distributors.

Our products are used primarily in cleanrooms, industrial safety manufacturing environments, health care facilities, such as hospitals, laboratories and dental offices, and building and re-roofing sites. Our products are distributed principally in the United States through a network consisting of purchasing groups, national distributors, local distributors, independent sales representatives and our own sales and marketing force.

RESULTS OF OPERATIONS

The following table sets forth certain operational data as a percentage of sales for the years indicated:

	2012		2011	
Net sales	100.0	%	100.0	%
Gross profit	35.2	%	36.5	%
Selling, general and administrative expenses	31.4	%	32.0	%
Income from operations	2.0	%	2.4	%
Income before provision for income taxes	3.2	%	3.8	%
Net income	2.4	%	2.4	%

Fiscal 2012 Compared to Fiscal 2011

Sales. Consolidated sales for the year ended December 31, 2012 increased to $41,058,000, from $38,502,000 for the year ended December 31, 2011, representing an increase of $2,556,000, or 6.6%. This increase consisted of increased sales in the Building Supply segment of $2,151,000 and increased sales in the Disposable Protective Apparel segment of $630,000, partially offset by decreased sales in the Infection Control segment of $225,000.

Building Supply segment sales for the year ended December 31, 2012 increased by $2,151,000, or 10.0%, to $23,749,000, as compared to $21,598,000 for 2011. The increase was primarily due to a 16.2% increase in sales of REX™ Wrap housewrap and a 7.3% increase in sales of REX™ SynFelt synthetic roof underlayment. The sales mix of the Building Supply segment for the year ended December 31, 2012 was 67% for synthetic roof underlayment and 33% for housewrap. This compared to 69% for synthetic roof underlayment and 31% for housewrap for the year ended December 31, 2011.

In early 2012, we introduced TECHNOply™, an economy version of our synthetic roof underlayment, to capture market share in the lower end of the market. This product contributed approximately 6% of total synthetic roof underlayment sales for 2012, was approximately 14% in the most recent quarter, and is expected to be a growth product for the Company. Sales of our REX™ Wrap Fortis non-perforated breathable housewrap continue to be lower than anticipated, although sales of this product are expected to contribute more significantly to the sales line in 2013. We have seen recent increases in sales of REX™ Wrap Fortis in the fourth quarter of 2012 accounting for almost half the sales in 2012, and new distribution is expected in the coming year. We will continue to introduce new products in our Building Supply segment as we see opportunities arise.

We believe that the outlook for the Building Supply segment is promising and that we are in a good position to take advantage of significant growth prospects as the housing market continues to recover.

Sales for the Disposable Protective Apparel segment for the year ended December 31, 2012 increased by $630,000, or 5.0%, to $13,188,000, compared to $12,558,000 for the same period of 2011. The increase was primarily due to an increase in sales of disposable protective apparel to our major international supply chain partner, partially offset by a decrease in other industrial distributors. Management is emphasizing a more diversified and broader distribution strategy for our Critical Cover® protective apparel product line; we believe that we will continue to grow our market share.

Infection Control segment sales for the year ended December 31, 2012 decreased by $225,000, or 5.2%, to $4,121,000, compared to $4,346,000 for 2011. Mask sales were down by 4.2%, or $122,000, to $2,752,000, medical bed pad and pet bed sales were down $100,000, to $0, as this product line was sold in the first quarter of 2011, and shield sales were down by 0.2%, or $3,000, to $1,369,000, all compared to the year ended December 31, 2011. The overall mask sales decrease for 2012 was primarily due to a decline in industrial mask sales as a result of our previous largest industrial distributor launching its own line of masks, partially offset by an increase in medical mask sales.

Gross Profit. Gross profit increased by $414,000, or 2.9%, to $14,460,000 for the year ended December 31, 2012 from $14,046,000 for 2011. The gross profit margin was 35.2% for the year ended December 31, 2012, compared to 36.5% for 2011. The gross profit margin for the year ended December 31, 2012 was affected by the Building Supply segment margin, which has declined due to increased raw material costs and competitive pricing pressures.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $556,000, or 4.5%, to $12,879,000 for the year ended December 31, 2012 from $12,323,000 for the year ended December 31, 2011. As a percentage of net sales, selling, general and administrative expenses decreased to 31.4% for the year ended December 31, 2012 from 32.0% for 2011.

The change in expense by segment was as follows: Disposable Protective Apparel was up $379,000, or 12.7%, Building Supply was up $92,000, or 2.2% and corporate unallocated expenses were up $187,000 or 4.4%, partially offset by Infection Control which was down $102,000, or 12.2%. Disposable Protective Apparel was up primarily due to increased sales and marketing costs and corporate unallocated expenses primarily because of an increased accrual for executive bonuses.

The Company's Chief Executive Officer and President are each entitled to a bonus equal to 5% of the pre-tax profits of the Company, excluding bonus expense. Executive bonuses of $145,000 were accrued for the year ended December 31, 2012, as compared to $0 for 2011.

Depreciation and Amortization. Depreciation and amortization expense decreased by $54,000, or 6.6%, to $764,000 for the year ended December 31, 2012 from $818,000 for 2011. The decrease for the year was primarily attributable to decreased depreciation for the Disposable Protective Apparel segment.

Income from Operations. Income from operations decreased by $88,000, or 9.7%, to $817,000 for the year ended December 31, 2012, compared to income from operations of $905,000 for the year ended December 31, 2011. The decrease was due to an increase in selling, general and administrative expenses of $556,000, partially offset by an increase in gross profit of $414,000 and a decrease in depreciation and amortization of $54,000.

Equity in Income of Unconsolidated Affiliate. For the year ended December 31, 2012, we recorded equity in income of unconsolidated affiliate of $480,000, compared to $494,000 for 2011.

Net Gain on Sales of Assets. On February 8, 2011, we entered into an asset purchase agreement to sell our line of pet beds and, on March 30, 2011, entered into a second asset purchase agreement, with the same principal purchaser, to sell our line of medical bed pads. As consideration for the acquired assets, we received $235,000, which was comprised of $181,000 of inventory sold at cost, plus an additional $54,000 in compensation for non-inventory assets and goodwill. The net gain from these two transactions was $41,000. In addition, we signed a three-year non-compete agreement that covers these product lines.

Income before Provision for Income Taxes. Income before provision for income taxes for the year ended December 31, 2012 was $1,307,000, compared to income before provision for income taxes of $1,481,000 for the year ended December 31, 2011, representing a decrease of $174,000, or 11.7%. The decrease in income before provision for income taxes was due primarily to a decrease in income from operations of $88,000, a decrease in equity in income of unconsolidated affiliate of $14,000, a decrease in net interest income of $31,000 and a net gain on sales of assets of $41,000 in 2011 which did not recur in 2012.

Provision for Income Taxes. The provision for income taxes for the year ended December 31, 2012 was $330,000, compared to the provision for income taxes of $548,000 for 2011. The estimated effective tax rate was 25.2% for the year ended December 31, 2012, compared to 37.0% for 2011. The change in the effective tax rate is primarily due to changes in the treatment of the Company’s joint venture in India for U.S. income tax reporting purposes.

Net Income. Net income for the year ended December 31, 2012 was $977,000, compared to net income of $933,000 for the year ended December 31, 2011, an increase of $44,000, or 4.7%. The net income increase was primarily due to a decrease in income taxes of $218,000, partially offset by a decrease in income before provision for income taxes of $174,000. Net income as a percentage of sales for the year ended December 31, 2012 was 2.4%, and net income as a percentage of sales for 2011 was 2.4%. Basic and diluted earnings per common share for the year ended December 31, 2012 was $0.05, and basic and diluted earnings per common share for 2011 was $0.04.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2012, we had cash and cash equivalents of $4,554,000 and working capital of $29,588,000, representing a decrease in working capital of 0.5%, or $150,000, from December 31, 2011. As of December 31, 2012, our current ratio was 19:1, compared to a 35:1 ratio as of December 31, 2011. Cash and cash equivalents decreased by 39.3%, or $2,949,000, to $4,554,000 as of December 31, 2012, compared to $7,503,000 as of December 31, 2011. The decrease in cash and cash equivalents was due to cash used in financing activities of $1,572,000, cash used in investing activities of $ 363,000 and cash used in operating activities of $1,014,000.

We have a $3,500,000 credit facility with Wells Fargo Bank, consisting of a line of credit with interest at prime plus 0.5%. As of December 31, 2012, the prime interest rate was 3.25%. This credit line was renewed in May 2012 and expires in May 2014. Our borrowing capacity on the line of credit was $3,500,000 as of December 31, 2012. The available line of credit is based on a formula of eligible accounts receivable and inventories. As of December 31, 2012, we did not have any borrowings under this credit facility.

Net cash used in operating activities was $1,014,000 for the year ended December 31, 2012, compared to net cash provided by operating activities of $3,766,000 for the year ended December 31, 2011. The net change in cash flows from operating activities for the two years ended December 31, 2012 was $4,780,000, which resulted primarily from an increase in inventory for the year ended December 31, 2012 of $1,598,000 as compared to a decrease of inventory of $1,571,000 for 2011, for a net difference of $3,169,000. Prepaid expenses increased by $56,000 for the year ended December 31, 2012 as compared to a decrease of $1,476,000 for 2011, for a net difference of $1,532,000 and accounts receivable increased by $1,625,000 for the year ended December 31, 2012 as compared to an increase of $909,000 for 2011, for a net difference of $716,000. All of this was partially offset by a net increase in accounts payable and accrued liabilities of $782,000.

The net cash used in operating activities of $1,014,000 for the year ended December 31, 2012 was due to net income of $977,000, adjusted by the following: amortization of share-based compensation expense of $228,000, depreciation and amortization of $764,000, equity in income of unconsolidated affiliate of $480,000, a decrease in deferred income taxes of $6,000, an increase in accounts receivable of $1,625,000, an increase in inventory of $1,598,000, an increase in prepaid expenses of $56,000 and an increase in accounts payable and accrued liabilities of $782,000.

Accounts receivable increased by $1,625,000, or 34.4%, to $6,350,000 as of December 31, 2012 from $4,725,000 as of December 31, 2011. The increase in accounts receivable was primarily related to increased Building Supply segment sales in the latter part of the fourth quarter of 2012, compared to 2011. Also, extended payment terms were provided on most Building Supply segment sales in the fourth quarter to remain competitive, as our competition offers these extended payment terms as well. We started this extended payment terms program a little earlier in 2012 as compared to 2011. The number of days sales outstanding as of December 31, 2012, calculated by using an average of accounts receivable outstanding for the year end dates, was 49 days, compared to 41 days as of December 31, 2011.

Inventory increased by $1,598,000, or 10.3%, to $17,164,000 as of December 31, 2012 from $15,566,000 as of December 31, 2011. The increase was primarily due to an increase in inventory for the Building Supply segment of $845,000, or 11.8%, to $7,981,000, and an increase in inventory for the Disposable Protective Apparel segment of $940,000, or 20.4%, to $5,550,000 and a decrease in inventory for the Infection Control segment inventory of $187,000, or 4.9%, to $3,633,000. As of December 31, 2012, Disposable Protective Apparel inventory was higher than historical levels as we purchased more inventory this year to account for the anticipated temporary shutdown of manufacturing during the Chinese New Year holidays.

Prepaid expenses increased by $56,000, or 2.5%, to $2,299,000 as of December 31, 2012 from $2,243,000 as of December 31, 2011. The increase was primarily due to an increase in prepaid tax, partially offset by a decrease in prepayments to Asia for the purchase of inventory.

Accounts payable and accrued liabilities as of December 31, 2012 increased by $782,000, or 89.8%, to $1,653,000 from $871,000 as of December 31, 2011. The change was primarily due to an increase in accrued liabilities of $624,000 and an increase in trade payables of $158,000. The increase in accrued liabilities was primarily due to an increase in sales commissions, accrued bonuses, accrued tax and accrued payroll.

Net cash used in investing activities was $363,000 for the year ended December 31, 2012, compared to net cash used in investing activities of $42,000 for 2011. Our investing activities for the year ended December 31, 2012 consisted primarily of the purchase of property and equipment of $519,000, the purchase of marketable securities of $255,000 and the purchase of intangible assets of $6,000, partially offset by repayment of advances from our unconsolidated affiliate (Harmony) of $417,000. Our investing activities for the year ended December 31, 2011 consisted primarily of the purchase of property and equipment of $269,000 and the purchase of intangible assets of $8,000, partially offset by cash proceeds from the sale of the pet bed and medical bed pad lines of $235,000.

Net cash used in financing activities was $1,572,000 for the year ended December 31, 2012, compared to net cash used in financing activities of $1,537,000 for 2011. Our net cash used in financing activities for the year ended December 31, 2012 was due to the payment of $1,581,000 for the repurchase of common stock, partially offset by the proceeds of $9,000 from the exercise of stock options. Our net cash used in financing activities for the year ended December 31, 2011 was due to the payment of $1,553,000 for the repurchase of common stock, partially offset by the proceeds of $16,000 from the exercise of stock options.

As of December 31, 2012, we had $729,000 available for additional stock purchases under our stock repurchase program. For the year ended December 31, 2012, we repurchased 1,085,050 shares of common stock at a cost of $1,581,000. As of December 31, 2012, we had repurchased a total of 8,593,628 shares of common stock at a cost of $10,792,000 through our repurchase program. We retire all stock upon its repurchase. Future repurchases are expected to be funded from cash on hand and cash flows from operating activities.

We believe that our current cash balance and the funds available under our credit facility will be sufficient to satisfy our projected working capital and planned capital expenditures for the foreseeable future.

New Accounting Standards

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-08 ("ASU No. 2011-08"), Intangibles–Goodwill and Other (Topic 350):Testing Goodwill for Impairment. The amendments in ASU No. 2011-08 provide guidance on testing goodwill for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that this is the case, it is required to perform the prescribed two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any. If an entity determines that the carrying amount of a reporting unit is less than its fair value, the two-step goodwill impairment test is not required. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have a significant impact on the Company's consolidated results of operations or its consolidated financial position.

Management periodically reviews new accounting standards that are issued. Although some of these accounting standards may be applicable to the Company, management has not identified any other new standards that it believes merit further discussion, and the Company expects that none would have a significant impact on its consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We subcontract the manufacture of products in China and, to a lesser extent in Mexico, and have a joint venture in India. In addition, our principal executive office, with 18 employees, is located in Canada. We do not believe that we have a material foreign currency exposure due to the fact that our purchase agreements with companies in China, India and Mexico are settled in U.S dollars. In addition, all sales transactions are in U.S. dollars. In Canada, our foreign currency exposure is not material due to the fact that we do not conduct manufacturing operations in Canada. Our exposure is limited to payroll expenses in the Canadian branch office.

We do not expect any significant effect on our consolidated results of operations from inflation or interest or currency rate fluctuations. We do not hedge our interest rate or foreign exchange risks.

Item 8. Financial Statements and Supplementary Data.

Alpha Pro Tech, Ltd.

Index to Consolidated Financial Statements

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Alpha Pro Tech, Ltd.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our 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.

Under the supervision and with the participation of our management, including our principal executive and principal financial officers, we assessed, as of December 31, 2012, the effectiveness of our internal control over financial reporting. This assessment was based on criteria established in accordance with the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2012.

Alpha Pro Tech, Ltd.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Alpha Pro Tech, Ltd:

We have audited the accompanying consolidated balance sheets of Alpha Pro Tech, Ltd. and subsidiaries as of December 31, 2012 and 2011 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alpha Pro Tech, Ltd. and subsidiaries as of December 31, 2012 and 2011 and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ Tanner LLC

Salt Lake City, Utah
March 6, 2013

Alpha Pro Tech, Ltd.

Consolidated Balance Sheets

	December 31, 2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$4,554,000	$7,503,000
Marketable securities	293,000	-
Accounts receivable, net of allowance for doubtful accounts of $74,000 and $54,000 as of December 31, 2012 and 2011, respectively	6,350,000	4,725,000
Inventories	17,164,000	15,566,000
Prepaid expenses	2,299,000	2,243,000
Deferred income tax assets	554,000	572,000
Total current assets	31,214,000	30,609,000
Property and equipment, net	3,419,000	3,636,000
Goodwill	55,000	55,000
Definite-lived intangible assets, net	113,000	135,000
Equity investments in and advances to unconsolidated affiliate	2,498,000	2,435,000
Total assets	$37,299,000	$36,870,000
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$860,000	$702,000
Accrued liabilities	793,000	169,000
Total current liabilities	1,653,000	871,000
Deferred income tax liabilities	813,000	823,000
Total liabilities	2,466,000	1,694,000
Shareholders' equity:		
Common stock, $.01 par value: 50,000,000 shares authorized; 20,044,457 and 21,122,840 shares outstanding as of December 31, 2012 and 2011, respectively	200,000	211,000
Additional paid-in capital	20,915,000	22,248,000
Accumulated other comprehensive income	24,000	-
Retained earnings	13,694,000	12,717,000
Total shareholders' equity	34,833,000	35,176,000
Total liabilities and shareholders' equity	$37,299,000	$36,870,000

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

Alpha Pro Tech, Ltd.

Consolidated Income Statements

	Years Ended December 31,	
	2012	2011
Net sales	$ 41,058,000	$ 38,502,000
Cost of goods sold, excluding depreciation and amortization	26,598,000	24,456,000
Gross profit	14,460,000	14,046,000
Operating expenses:		
Selling, general and administrative	12,879,000	12,323,000
Depreciation and amortization	764,000	818,000
Total operating expenses	13,643,000	13,141,000
Income from operations	817,000	905,000
Other income:		
Equity in income of unconsolidated affiliate	480,000	494,000
Net gain on sales of assets	-	41,000
Interest, net	10,000	41,000
Total other income	490,000	576,000
Income before provision for income taxes	1,307,000	1,481,000
Provision for income taxes	330,000	548,000
Net income	$ 977,000	$ 933,000
Basic earnings per common share	$ 0.05	$ 0.04
Diluted earnings per common share	$ 0.05	$ 0.04
Basic weighted average common shares outstanding	20,703,296	22,077,905
Diluted weighted average common shares outstanding	20,703,296	22,077,905

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

Alpha Pro Tech, Ltd.

Consolidated Comprehensive Income Statements

	Years Ended December 31, 2012	2011
Net income	$977,000	$933,000
Unrealized gain on investments, net of tax	24,000	-
Comprehensive income	$1,001,000	$933,000

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

Alpha Pro Tech, Ltd.

Consolidated Statements of Shareholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of January 1, 2011	22,424,285	$224,000	$23,504,000	$11,784,000	$ -	$35,512,000
Options exercised	13,333	-	16,000	-	-	16,000
Common stock repurchased and retired	(1,314,778)	(13,000)	(1,540,000)	-	-	(1,553,000)
Share-based compensation expense	-	-	268,000	-	-	268,000
Net income	-	-	-	933,000	-	933,000
Balance as of December 31, 2011	21,122,840	211,000	22,248,000	12,717,000	-	35,176,000
Options exercised	6,667	-	9,000	-	-	9,000
Common stock repurchased and retired	(1,085,050)	(11,000)	(1,570,000)	-	-	(1,581,000)
Share-based compensation expense	-	-	228,000	-	-	228,000
Net income	-	-	-	977,000	-	977,000
Other comprehensive income	-	-	-	-	24,000	24,000
Balance as of December 31, 2012	20,044,457	$200,000	$20,915,000	$13,694,000	$ 24,000	$34,833,000

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

Alpha Pro Tech, Ltd.

Consolidated Statements of Cash Flows

	Years Ended December 31, 2012	2011
Cash Flows From Operating Activities:		
Net income	$977,000	$933,000
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Share-based compensation expense	228,000	268,000
Depreciation and amortization	764,000	818,000
Equity in income of unconsolidated affiliate	(480,000)	(494,000)
Deferred income taxes	(6,000)	55,000
Gain on sale of assets	-	(41,000)
Changes in assets and liabilities:		
Accounts receivable, net	(1,625,000)	(909,000)
Inventories	(1,598,000)	1,571,000
Prepaid expenses	(56,000)	1,476,000
Accounts payable and accrued liabilities	782,000	89,000
Net cash (used in) provided by operating activities	(1,014,000)	3,766,000
Cash Flows From Investing Activities:		
Purchase of property and equipment	(519,000)	(269,000)
Purchase of intangible assets	(6,000)	(8,000)
Repayment of advances by unconsolidated affilitate	417,000	-
Purchase of marketable securities	(255,000)	-
Proceeds from sale of assets	-	235,000
Net cash used in investing activities	(363,000)	(42,000)
Cash Flows From Financing Activities:		
Proceeds from exercise of stock options	9,000	16,000
Repurchase of common stock	(1,581,000)	(1,553,000)
Net cash used in financing activities	(1,572,000)	(1,537,000)
Changes in cash and cash equivalents	(2,949,000)	2,187,000
Cash and cash equivalents, beginning of the year	7,503,000	5,316,000
Cash and cash equivalents, end of the year	$4,554,000	$7,503,000
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$310,000	$609,000

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

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Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

1. The Company

Alpha Pro Tech, Ltd. ("Alpha Pro Tech" or the "Company") is in the business of protecting people, products and environments. The Company accomplishes this by developing, manufacturing and marketing a line of disposable protective apparel for the cleanroom, the industrial markets and the pharmaceutical markets, a line of building supply products for the new home and re-roofing markets and a line of infection control products for the medical and dental markets.

The Building Supply segment consists of construction weatherization products, such as housewrap and synthetic roof underlayment.

The Disposable Protective Apparel segment consists of a complete line of shoecovers, bouffant caps, coveralls, gowns, frocks and lab coats.

The Infection Control segment consists of a line of face masks and eye shields. It previously included a line of medical bed pads and pet beds, which line was sold during the first quarter of 2011.

The Company's products are sold under the "Alpha Pro Tech" brand name, and under private label, and are predominantly sold in the United States of America ("U.S.").

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiaries, Alpha Pro Tech, Inc. and Alpha ProTech Engineered Products, Inc. All significant intercompany accounts and transactions have been eliminated.

Events that occurred after December 31, 2012 through the date that these consolidated financial statements were filed with the Securities and Exchange Commission ("SEC") were considered in the preparation of these consolidated financial statements.

Periods Presented

All amounts have been rounded to the nearest thousand with the exception of the share data. The Company qualified as a smaller reporting company at the measurement date for determining such qualification during 2012. According to the disclosure requirements for smaller reporting companies, in these consolidated financial statements the Company has included consolidated balance sheets as of the end of the two most recent years and consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the two most recent years.

Cash Equivalents

The Company considers all highly liquid instruments with a maturity date of three months or less at the date of purchase to be cash equivalents.

Marketable Securities

The Company periodically invests a portion of its cash in excess of short-term operating needs in marketable debt securities. These investments are classified as available-for-sale in accordance with US generally accepted accounting principles ("US GAAP"). The Company does not have any investments classified as held-to-maturity or trading securities. Available-for-sale investments are carried at their fair value using quoted prices in active markets for identical securities, with unrealized gains and losses, net of deferred income taxes, reported as a component of accumulated other comprehensive income. Realized gains and losses, and declines in value deemed to be other-than-temporary on available-for-sale investments, are recognized in earnings. The cost of securities sold is based on the specific identification method. Investments that the Company intends to hold for more than one year are classified as long-term investments in the accompanying consolidated balance sheets.

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

Accounts Receivable

Accounts receivable are recorded at the invoice amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable; however, changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future. The Company determines the allowance based upon historical write-off experience and known conditions about its customers' current ability to pay. Account balances are charged against the allowance when management determines that the probability for recovery is remote.

Inventories

Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (computed on a standard cost basis, which approximates average cost) or market. Allowances are recorded for slow-moving, obsolete or unusable inventories. The Company assesses inventories for estimated obsolescence or unmarketable products and writes down the difference between the cost of the inventory and the estimated market value based upon assumptions about future sales and supplies on-hand.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and are depreciated or amortized using the straight-line method over the shorter of the respective useful lives of the assets or the related lease terms as follows:

Buildings			25	years
Machinery and equipment	5	-	15	years
Office furniture and equipment	2	-	7	years
Leasehold improvements	4	-	5	years

Expenditures for renewals and betterments are capitalized, whereas costs of maintenance and repairs are charged to operations in the period incurred.

Goodwill and Intangible Assets

The Company accounts for goodwill and definite-lived intangible assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("FASB ASC," "ASC" or "Codification") 350, Intangibles Goodwill and Other ("ASC 350"). As prescribed by ASC 350, goodwill is not amortized, but rather is tested annually for impairment. Intangible assets with finite lives are amortized over their useful lives (see Note 5). The Company's patents and trademarks are recorded at cost and are amortized using the straight-line method over their estimated useful lives of 5-17 years.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If it is determined that the undiscounted future net cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset. The Company believes that the future undiscounted net cash flows to be received from its long-lived assets exceed the assets' carrying values, and, accordingly, the Company has not recognized any impairment losses during the years ended December 31, 2012 and 2011.

Revenue Recognition

Revenue is recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) title transfers and the customer assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. These criteria are satisfied upon shipment of product, and revenues are recognized accordingly.

Sales are reduced for any anticipated sales returns, rebates and allowances based on historical data.

Shipping and Handling Costs

The costs of shipping products to distributors are classified in cost of goods sold.

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

Stock-Based Compensation

The Company maintains a stock option plan under which the Company may grant incentive stock options and non-qualified stock options to employees and non-employee directors. Stock options have been granted with exercise prices at or above the fair market value of the underlying shares of common stock on the date of grant. Options vest and expire according to terms established at the grant date.

The Company accounts for stock-based awards in accordance with FASB ASC 718, Stock Compensation (“ASC 718”). ASC 718 requires companies to record compensation expense for the value of all outstanding and unvested share-based payments, including employee stock options and similar awards.

For the years ended December 31, 2012 and 2011, there were zero and 60,000 stock options granted, respectively, under the option plan. The Company recognized $228,000 and $268,000 in share-based compensation expense for the years ended December 31, 2012 and 2011, respectively, related to issued options.

Income Taxes

The Company accounts for income taxes using the asset and liability approach. A valuation allowance is recorded to reduce the carrying amounts of deferred income tax assets unless it is more likely than not that such assets will be realized. The Company’s policy is to classify any interest and penalties assessed by the Internal Revenue Service as a component of the provision for income taxes. Additionally, the Company presents taxes assessed by governmental authorities on revenue-producing activities (i.e., sales tax) on a net basis in the accompanying consolidated income statements. The Company provides allowances for uncertain income tax positions when it is more likely than not that the position will not be sustained upon examination by the tax authority.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and in various states and foreign jurisdictions. The Company is no longer subject to U.S. federal, state and local, income tax examination by tax authorities for years before 2007 and the year 2008. The Company is not currently under examination in any of its jurisdictions in which it operates.

Earnings Per Share

The following table provides a reconciliation of both net income and the number of shares used in the computations of “basic” earnings per common share (“EPS”), which utilizes the weighted average number of common shares outstanding without regard to common stock equivalents, and “diluted” EPS, which includes all common stock equivalents which are dilutive for the years ended December 31, 2012 and 2011.

	Years Ended December 31,	
	2012	2011
Net income (numerator)	$977,000	$933,000
Shares (denominator):		
Basic weighted average common shares outstanding	20,703,296	22,077,905

Add: Dilutive effect of common stock options	-	-
Diluted weighted average common shares outstanding	20,703,296	22,077,905
Earnings per common share:		
Basic	$0.05	$0.04
Diluted	$0.05	$0.04

Translation of Foreign Currencies

Transactions in foreign currencies are translated into U.S. dollars at the exchange rate prevailing at the transaction date. Monetary assets and liabilities in foreign currencies at each period end are translated at the exchange rate in effect at that date. Transaction gains or losses on foreign currencies are reflected in selling, general and administrative expenses and were not material for the years ended December 31, 2012 and 2011.

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

The Company does not have a material foreign currency exposure due to the fact that all purchase agreements with companies in Asia and Mexico are in U.S. dollars. In addition, all sales transactions are in U.S. dollars. The Company's only foreign currency exposure is with its Canadian branch office. The foreign currency exposure is not material due to the fact that the Company does not manufacture in Canada. The exposure primarily relates to payroll expenses in the Company's administrative branch office in Canada.

Research and Development

Research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Such costs were not material for the years ended December 31, 2012 and 2011.

Advertising

The Company expenses advertising costs as incurred. These costs are included in selling, general and administrative expenses. Such costs were $64,000 and $43,000 for the years ended December 31, 2012 and 2011, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect 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 these estimates.

Fair Value of Financial Instruments

FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), establishes a framework for measuring fair value in accordance with US GAAP, clarifies the definition of fair value within that framework and expands disclosures about the use of fair value measurements. On a quarterly basis, the Company measures at fair value certain financial assets using a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions. The following fair value hierarchy prioritizes the inputs into three broad levels:

This hierarchy requires the Company to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value. The fair value of the Company's financial assets as of December 31, 2012 and 2011 was determined using the following levels of inputs:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

	Fair Value Measurements as of December 31,			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents - money market fund - 2012	$664,000	$664,000	-	-
Marketable securities - 2012	293,000	293,000	-	-
Cash equivalents - money market fund - 2011	831,000	831,000	-	-

The fair values for the money market fund and marketable securities, classified as Level 1, were obtained from quoted market prices.

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

New Accounting Standards

In September 2011, the FASB issued Accounting Standards Update No. 2011-08 (“ASU No. 2011-08”), Intangibles–Goodwill and Other (Topic 350):Testing Goodwill for Impairment. The amendments in ASU No. 2011-08 provide guidance on testing goodwill for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that this is the case, it is required to perform the prescribed two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any. If an entity determines that the carrying amount of a reporting unit is less than its fair value, the two-step goodwill impairment test is not required. This guidance became effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have a significant impact on the Company’s results of operations or financial position.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income. This update requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders’ equity. This update impacts presentation only and had no effect on the Company’s consolidated financial position, results of operations or cash flows.

3. Marketable Securities

The following provides information regarding the Company’s available-for-sale marketable securities as of December 31, 2012:

Cost basis	$255,000
Gains included in accumulated other comprehensive income	38,000
Fair value	$293,000

No marketable securities were sold during the year ended December 31, 2012. The unrealized gains of $38,000 are presented net of tax of $14,000 in the 2012 consolidated comprehensive income statement.

4. Inventories

Inventories consisted of the following:

	December 31,	
	2012	2011
Raw materials	$8,212,000	$8,007,000
Work in process	3,056,000	3,048,000
Finished goods	5,896,000	4,511,000
	$17,164,000	$15,566,000

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Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

5. Property and Equipment

Property and equipment consisted of the following:

	December 31, 2012	December 31, 2011
Buildings	$355,000	$355,000
Machinery and equipment	9,462,000	8,968,000
Office furniture and equipment	962,000	938,000
Leasehold improvements	441,000	441,000
	11,220,000	10,702,000
Less accumulated depreciation and amortization	(7,801,000)	(7,066,000)
	$3,419,000	$3,636,000

Depreciation and amortization of property and equipment was $735,000 and $791,000 for the years ended December 31, 2012 and 2011, respectively.

6. Goodwill and Intangible Assets

Management evaluates goodwill impairment on an annual basis and no impairment charge was identified for the years presented.

Definite-lived intangible assets, consisting of patents and trademarks, are amortized over their useful lives. Intangible assets consisted of the following:

	December 31, 2012				December 31, 2011			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and Trademarks	6.0	$ 473,000	$ (360,000)	$ 113,000	7.0	$ 466,000	$ (331,000)	$ 135,000

Amortization of intangible assets was $29,000 and $27,000 for the years ended December 31, 2012 and 2011, respectively.

Estimated future amortization expense related to definite-lived intangible assets is as follows:

Years ending December 31,	
2013	$22,000
2014	19,000
2015	19,000
2016	19,000
2017	11,000
Thereafter	23,000
	$113,000

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7. Investment in and Advances to Unconsolidated Affiliate

In 2005, Alpha ProTech Engineered Products, Inc. (a subsidiary of Alpha Pro Tech, Ltd.) entered into a joint venture with a manufacturer in India for the production of building products. Under the terms of the joint venture agreement, a private company, Harmony Plastics Private Limited ("Harmony"), was created with ownership interests of 41.66% by Alpha ProTech Engineered Products, Inc. and 58.34% by Maple Industries and Associates. Alpha ProTech Engineered Products, Inc. contributed $508,000 for its equity position, and Maple Industries and Associates contributed $708,000 for its equity position.

This joint venture positions Alpha ProTech Engineered Products, Inc. to respond to current and expected increased product demand for housewrap and synthetic roof underlayment and provides future capacity for sales of specialty roofing component products and custom products for industrial applications requiring high quality extrusion coated fabrics. In addition, the joint venture now supplies products for the Disposable Protective Apparel segment.

The capital from the initial funding and a bank loan, which loan is guaranteed exclusively by the individual shareholders of Maple Industries and Associates and collateralized by the assets of Harmony, were utilized to purchase the original manufacturing facility in India. Harmony currently has three facilities in India, consisting of: (1) a 102,000 square foot building for manufacturing housewrap and synthetic roof underlayment; (2) a 71,500 square foot building for manufacturing coated material and sewing proprietary disposable protective apparel; and (3) a 16,000 square foot facility for sewing proprietary disposable protective apparel. All additions have been financed by Harmony with no guarantees from the Company.

In accordance with FASB ASC 810, Consolidation ("ASC 810"), the Company assesses whether or not related entities are variable interest entities ("VIEs"). For those related entities that qualify as VIEs, ASC 810 requires the Company to determine whether or not the Company is the primary beneficiary of the VIE, and, if so, to consolidate the VIE. The Company has determined that Harmony is not a VIE and is, therefore, considered to be an unconsolidated affiliate.

The Company records its investment in Harmony as "equity investments in and advances to unconsolidated affiliate" in the accompanying consolidated balance sheets. The Company records its equity interest in Harmony's results of operations as "equity in income of unconsolidated affiliate" in the accompanying consolidated income statements. The Company reviews annually its investment in Harmony for impairment. Management has determined that no impairment was required as of December 31, 2012 and 2011.

Alpha ProTech Engineered Products, Inc. initially invested $1,450,000 in the joint venture: $508,000 as equity and $942,000 as a long-term advance for materials. Fifty percent of the $942,000 long-term advance for materials was to be repaid over a six-year term that commenced in July 2006, and any remaining balance was to be paid in the seventh year. Harmony has repaid the advance in full, with the final $417,000 payments made in the third quarter of 2012.

For the years ended December 31, 2012 and 2011, Alpha Pro Tech purchased $17,011,000 and $13,662,000 of inventory, respectively, from Harmony. For the years ended December 31, 2012 and 2011, the Company recorded equity in income of unconsolidated affiliate of $480,000 and $494,000, respectively. As of December 31, 2012, the Company's investment in Harmony is $2,498,000, which consists of its original $1,450,000 investment and cumulative equity in income of unconsolidated affiliate of $2,067,000, less $942,000 in repayments of the advance and payment of $77,000 in dividends.

8. Accrued Liabilities

Accrued liabilities consisted of the following:

	December 31, 2012	December 31, 2011
Payroll expenses	$126,000	$105,000
Bonuses payable	325,000	64,000
Uncertain tax position	342,000	-
	$793,000	$169,000

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

9. Notes Payable

The Company maintains a credit facility with Wells Fargo Bank that expires in May 2014. Pursuant to the terms of the credit facility, the Company has a line of credit for up to $3,500,000 based on eligible accounts receivable and inventories. The Company's borrowing capacity on the line of credit was $3,500,000 as of December 31, 2012. The credit facility bears interest at prime plus 0.5% (prime rate was 3.25% as of December 31, 2012 and 2011) and is collateralized by accounts receivable, inventories, trademarks, patents and property and equipment. Under the terms of the facility, the Company pays a 0.6% unused loan fee, which is paid quarterly.

As of December 31, 2012, the Company had no outstanding balance on the line of credit and no other debt.

10. Shareholders' Equity

Repurchase Program

As of December 31, 2011, the Company had $1,310,000 available for purchases under its share repurchase program. During the year ended December 31, 2012, the Company repurchased and retired 1,085,050 shares of its common stock for $1,581,000. During the year ended December 31, 2011, the Company repurchased and retired 1,314,778 shares of its common stock for $1,553,000. As of December 31, 2012, the Company had $729,000 available to repurchase common shares under the repurchase program.

Option Activity

The 2004 Stock Option Plan (the "2004 Plan") is an equity compensation plan that provides for grants of both incentive stock options and non-qualified stock options to eligible individuals. The 2004 Plan is intended to recognize the contributions made to the Company by key employees of the Company and its subsidiaries, provide key employees with additional incentive to devote themselves to the future success of the Company and improve the ability of the Company to attract, retain and motivate individuals. The 2004 Plan also is intended as an additional incentive to certain members of the Board of Directors of the Company to continue to serve on the Board of Directors and to devote themselves to the future success of the Company.

Under the 2004 Plan, 2,500,000 shares were initially available for grant. In light of the Company's continued growth, the Board of Directors recommended to the shareholders at the 2010 Annual Meeting of Shareholders, and the shareholders approved, an amendment to the 2004 Plan to increase the number of shares available for issuance by an additional 2,500,000 shares of common stock. The 2004 Plan now provides for a total of 5,000,000 common shares eligible for issuance.

Under the 2004 Plan, approximately 3,110,000 options have been granted as of December 31, 2012. Under the 2004 Plan, option grants have a three-year vesting period and, since 2005, expire no later than the fifth anniversary from the date of grant. In 2004 and 2005, options granted had an expiration date of 10 years after the date of grant. The exercise price of the options is determined based on the fair value of the stock on the date of grant.

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

The following table summarizes option activity for the years ended December 31, 2012 and 2011:

	Shares	Weighted Average Exercise Price Per Option
Options outstanding, January 1, 2011	2,541,670	$ 1.57
Granted to employees and non-employee directors	60,000	1.15
Exercised	(13,333)	1.23
Canceled/expired/forfeited	(443,334)	1.91
Options outstanding, December 31, 2011	2,145,003	1.49
Granted to employees and non-employee directors	-	-
Exercised	(6,667)	1.23
Canceled/expired/forfeited	(348,334)	1.50
Options outstanding, December 31, 2012	1,790,002	1.49
Options exercisable, December 31, 2012	1,428,335	1.48

Stock options to purchase 1,790,002 and 2,145,003 shares of common stock were outstanding as of December 31, 2012 and 2011, respectively. All of the stock options were excluded from the computation of the number of dilutive common shares for the years ended December 31, 2012 and 2011, respectively, because their effect would have been anti-dilutive.

The Company used the Black-Scholes-Merton option-pricing model to value the options. The Company uses historical data to estimate the expected life of the options. The risk-free interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility is based on historical volatility of the expected life in years. The Company uses an estimated dividend payout ratio of zero, as the Company has not paid dividends in the past and, at this time, does not expect to do so in the future.

The fair values of the share-based payment awards were estimated using the Black-Scholes-Merton option pricing model with the following assumptions and weighted average fair values:

	Stock Options (1) For the Years Ended December 31,	
	2012	2011
Exercise price	N/A	$1.15
Risk-free interest rate	N/A	0.96 %
Expected volatility	N/A	50.30 %
Expected life in years	N/A	4.30
Dividend rate	N/A	-
Black-Scholes-Merton fair value	N/A	$0.47

(1)The fair value calculation was based on the stock options granted during the year.

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

The following table summarizes information about stock options as of December 31, 2012:

	Options Outstanding				Options Exercisable			
Range of Exercise Prices	Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value
$1.10 - $1.98	1,790,002	$ 1.49	2.03	$ 0	1,428,335	$ 1.48	1.84	$ 0

The intrinsic value is the amount by which the market value of the underlying common stock exceeds the exercise price of the respective stock option. The aggregate intrinsic value of stock options exercised during the years ended December 31, 2012 and 2011 was $2,000 and $6,000, respectively.

As of December 31, 2012, $161,000 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average remaining period of 0.81 years. Cash received from 6,667 options exercised for the year ended December 31, 2012 was $9,000.

11. Income Taxes

The provision for income taxes consisted of the following:

	For the Years Ended December 31, 2012	2011
Current	$336,000	$493,000
Deferred	(6,000)	55,000
	$330,000	$548,000

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

Deferred income tax assets (liabilities) consisted of the following:

	December 31, 2012	December 31, 2011
Current deferred income taxes:		
Foreign tax credits	$67,000	$92,000
Temporary differences:		
Inventory reserve	121,000	103,000
Intangible assets	-	3,000
State income taxes	(13,000)	(10,000)
Accrued expenses and inventory	379,000	368,000
Current deferred income tax assets, net	554,000	556,000
Non-current deferred income taxes:		
Temporary differences:		
Property and equipment	(760,000)	(778,000)
Other	(14,000)	-
State income taxes	(39,000)	(29,000)
Non-current deferred tax liabilities	(813,000)	(807,000)
Net deferred income tax liability	$(259,000)	$(251,000)

The provision for income taxes differs from the amount that would be obtained by applying the U.S. statutory rate to income before income taxes as a result of the following:

	For the Years Ended December 31, 2012	2011
Income taxes based on U.S. statutory rate of 34%	$444,000	$504,000
Non-deductible meals and entertainment	4,000	4,000
Domestic manufacturer's deduction	(21,000)	(33,000)
Foreign taxes	(172,000)	-
State taxes	42,000	32,000
Other	33,000	41,000
	$330,000	$548,000

In 2012, the Company modified its tax reporting for Harmony, which lowered the Company’s effective tax rate for the year ended December 31, 2012. The Company has recorded an uncertain tax position liability of approximately $342,000 as of December 31, 2012, which is included in accrued liabilities in the accompanying 2012 consolidated balance sheet.

Unrecognized tax benefits during the year ended December 31, 2012 were the following:

Balance as of January 1, 2012	$ -
Gross increase from tax positions taken during 2012	28,000
Gross increase from tax positions taken during prior periods	314,000
Reductions to unrecognized tax benefits	-
Balance as of December 31, 2012	$ 342,000

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Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

12. Operating Lease Commitments

The Company leases its facilities under non-cancelable operating leases expiring on various dates through April 30, 2020.

The following summarizes future minimum lease payments required under non-cancelable operating leases:

Years Ending December 31,		Future Minimum Lease Payments
2013	$	935,000
2014		734,000
2015		673,000
2016		566,000
2017		432,000
Thereafter		1,008,000
	$	4,348,000

Total rent expense under operating leases for the years ended December 31, 2012 and 2011 was $1,028,000 and $1,059,000, respectively.

13. Employee Benefit Plans

The Company has a 401(k) defined contribution profit sharing plan. Under the plan, employees may contribute up to 12% of their gross earnings subject to certain limitations. The Company contributes an additional 0.5% of gross earnings for those employees contributing 1% of their gross earnings and contributes an additional 1% of gross earnings for those employees contributing 2% to 12% of their gross earnings. The Company contributions become fully vested after five years. The amounts contributed to the plan by the Company were $38,000 and $34,000 for the years ended December 31, 2012 and 2011, respectively.

The Company does not have any other significant pension, profit sharing or similar plans established for its employees. The Chief Executive Officer and President are each entitled to a bonus equal to 5% of the pre-tax profits of the Company, excluding bonus expense. Executive bonuses of $145,000 and $0 were accrued for the years ended December 31, 2012 and 2011, respectively.

14. Activity of Business Segments

The Company operates through three segments:

Building Supply: consisting of a line of construction supply weatherization products. The construction supply weatherization products consist of housewrap and synthetic roof underlayment. The Company's equity in income of unconsolidated affiliate (Harmony) is included in the total segment income for Building Supply.

Disposable Protective Apparel: consisting of a complete line of disposable protective clothing, such as shoecovers (including the Aqua Trak® and spunbond shoecovers), bouffant caps, coveralls, frocks, lab coats, gowns and hoods for the pharmaceutical, cleanroom, industrial and medical markets.

Infection Control: consisting of a line of face masks and eye shields. This segment previously included lines of medical bed pads and pet beds, which lines were sold during the first quarter of 2011.

The accounting policies of the segments are the same as those described previously under Summary of Significant Accounting Policies (see Note 2). Segment data excludes charges allocated to the principal executive office and other corporate unallocated expenses and income taxes. The Company evaluates the performance of its segments and allocates resources to them based primarily on net sales.

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

The following table presents net sales for each segment:

	Years Ended December 31, 2012	2011
Building Supply	$23,749,000	$21,598,000
Disposable Protective Apparel	13,188,000	12,558,000
Infection Control	4,121,000	4,346,000
Consolidated net sales	$41,058,000	$38,502,000

The following table presents the reconciliation of total segment income to total consolidated net income:

	Years Ended December 31, 2012	2011
Building Supply	$3,031,000	$2,856,000
Disposable Protective Apparel	1,624,000	1,650,000
Infection Control	1,118,000	1,229,000
Total segment income	5,773,000	5,735,000
Unallocated corporate overhead expenses	(4,466,000)	(4,254,000)
Provision for income taxes	(330,000)	(548,000)
Consolidated net income	$977,000	$933,000

The following table presents net sales and long-lived asset information by geographic area:

	Years Ended December 31, 2012	2011
Net sales by geographic region		
United States	$ 39,463,000	$ 36,983,000
International	1,595,000	1,519,000
Consolidated net sales	$ 41,058,000	$ 38,502,000
	As of December 31,	
Long-lived assets by geographic region		
United States	$2,956,000	$3,122,000
International	463,000	514,000
Consolidated total long-lived assets	$3,419,000	$3,636,000

Net sales by geographic region are based on the countries in which the customers are located. For the years ended December 31, 2012 and 2011, the Company did not generate sales from any country, except the United States, that were significant to the Company's consolidated net sales.

Alpha Pro Tech, Ltd.

Notes to Consolidated Financial Statements

The following table presents the consolidated net property, equipment, goodwill and intangible assets by segment:

	As of December 31, 2012	As of December 31, 2011
Disposable Protective Apparel	$528,000	$640,000
Building Supply	2,252,000	2,142,000
Infection Control	763,000	971,000
Total segment assets	3,543,000	3,753,000
Unallocated corporate assets	44,000	73,000
Total consolidated assets	$3,587,000	$3,826,000

15. Concentration of Risk

The Company maintains its cash and cash equivalents in various bank accounts, the balances of which at times may exceed federally insured limits. The Company has not experienced any losses related to these accounts, and management does not believe that the Company is exposed to significant credit risk.

Management believes that adequate provision has been made for risk of loss on all credit transactions.

The Company buys a significant amount of its disposable protective apparel products from a limited number of subcontractors located in Asia and, to a much lesser extent, a subcontractor in Mexico. Management believes that other suppliers could provide similar products at comparable terms. A change in suppliers, however, could cause a delay in shipment and a possible loss of sales, which would affect operating results adversely.

The Building Supply segment buys semi-finished housewrap and synthetic roof underlayment from its joint venture, Harmony, located in India. Although there are a limited number of manufacturers of the particular product, management believes that other suppliers could provide similar products at comparable terms. A change in suppliers, however, could cause a delay in shipment and a possible loss of sales, which would affect operating results adversely.

The Company provides products to customers located primarily in the U.S. Customers accounting for 10% or more of accounts receivable as of December 31, 2012 and 2011, and 10% or more of net sales for the years ended December 31, 2012 and 2011, were as follows:

Accounts receivable:	2012		2011	
Customer A	13	%	18	%
Customer B	12	%	16	%
Net Sales:				
Customer A	12	%	15	%
Customer B	21	%	17	%

16. Subsequent Events

On February 1, 2013, the Company announced that the Board of Directors had authorized a $2,000,000 expansion of the Company's existing share repurchase program. As of February 1, 2013, the Company had approximately $2,200,000 available to repurchase shares of the Company's common stock, $200,000 of which remains from the previous expansion announced in October 2012.

The Company has reviewed and evaluated whether any additional material subsequent events have occurred from the consolidated balance sheet date of December 31, 2012 through the filing date of the Company's Form 10-K. All appropriate subsequent event disclosures have been made in the Notes to Consolidated Financial Statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 31, 2012 pursuant to the evaluation of these controls and procedures required by Rule 13a-15 of the Exchange Act. Disclosure controls and procedures are the controls and other procedures that we have designed to ensure that we record, process, summarize and report in a timely manner the information that we must disclose in reports that we file with or submit to the SEC under the Exchange Act.

In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and that we are required to apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation, our principal executive and financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

This report is included in Item 8 and is incorporated herein by reference.

Attestation Report of the Independent Registered Public Accounting Firm

As a result of being a smaller reporting company, we are not required to provide an attestation report from our independent registered public accounting firm regarding our internal control over financial reporting. We have elected not to include such an attestation report in this Annual Report on Form 10-K, which election was approved by the Audit Committee of the Company's Board of Directors.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of the year ended December 31, 2012, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted a Code of Business Conduct and Ethics applicable to all of our directors, officers and employees. A copy of the Code of Business Conduct and Ethics are available on the Company’s website at www.alphaprotech.com in the “Investors” section under “Corporate Governance.”

Other information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the Company’s definitive Proxy Statement for the 2013 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission (“SEC”) pursuant to Regulation 14A. The registrant’s definitive Proxy Statement for the Annual Meeting of Shareholders will be filed with the SEC on or before April 30, 2013.

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the Company's definitive Proxy Statement for the 2013 Annual Meeting of Shareholders to be filed with the SEC pursuant to Regulation 14A. The registrant's definitive Proxy Statement for the Annual Meeting of Shareholders will be filed with the SEC on or before April 30, 2013.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Certain of the information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the Company's definitive Proxy Statement for the 2013 Annual Meeting of Shareholders to be filed with the SEC pursuant to Regulation 14A. The registrant's definitive Proxy Statement for the Annual Meeting of Stockholders will be filed with the SEC on or before April 30, 2013.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information as of December 31, 2012 relating to equity compensation plans of the Company under which the Company's common stock is authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)		Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)	
Equity compensation plan approved by shareholders	1,790,002	(1)	$ 1.49	2,977,000	(2)

(1)The number shown in column (a) is the number of shares that may be issued upon exercise of outstanding options under the shareholder approved Alpha Pro Tech, Ltd. 2004 Stock Option Plan (the "2004 Plan").

(2)The number shown in column (c) is the number of shares that may be issued upon exercise of options granted in the future under the 2004 Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the Company's definitive Proxy Statement for the 2013 Annual Meeting of Shareholders to be filed with the SEC pursuant to Regulation 14A. The registrant's definitive Proxy Statement for the Annual Meeting of Shareholders will be filed with the SEC on or before April 30, 2013.

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the Company's definitive Proxy Statement for the 2013 Annual Meeting of Shareholders to be filed with the SEC pursuant to Regulation 14A. The registrant's definitive Proxy Statement for the Annual Meeting of Shareholders will be filed with the SEC on or before April 30, 2013.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements.

The consolidated financial statements of the Company and its subsidiaries, included herein in Item 8, are as follows:
Management's Report on Internal Control over Financial Reporting;
Report of Independent Registered Public Accounting Firm;
Consolidated Balance Sheets – December 31, 2012 and 2011;
Consolidated Income Statements – Years Ended December 31, 2012 and 2011;
Consolidated Comprehensive Income Statements – Years Ended December 31, 2012 and 2011;
Consolidated Statements of Shareholders' Equity – Years Ended December 31, 2012 and 2011;
Consolidated Statements of Cash Flows – Years Ended December 31, 2012 and 2011;
Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules.

The financial statement schedules required to be included pursuant to this Item are not included herein because they are not required for a smaller reporting company.

(a)(3) & (b)Exhibits.

The exhibits listed on the Exhibit Index beginning on page 44 of this Form 10-K are filed herewith or are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALPHA PRO TECH, LTD.

DATE: March 6, 2013 BY: /s/ Sheldon Hoffman
Sheldon Hoffman
Chief Executive Officer and Director

DATE: March 6, 2013 BY: /s/ Lloyd Hoffman
Lloyd Hoffman
Chief Financial Officer and Senior Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 6, 2013.

/s/ Sheldon Hoffman
Sheldon Hoffman, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Alexander W. Millar
Alexander W. Millar, President and Director

/s/ Sheldon Hoffman
Lloyd Hoffman, Chief Financial Officer and Senior Vice President
(Principal Financial and Accounting Officer)

/s/ Danny Montgomery
Danny Montgomery, Senior Vice President Manufacturing and Director

/s/ David B. Anderson
David B. Anderson, Director

/s/ David Garcia
David Garcia, Director

/s/ Russ Manock
Russ Manock, Director

/s/ Dr. John Ritota
Dr. John Ritota, Director

EXHIBIT INDEX
ITEM 15(a)(3)

Exhibit No.	Description
3.1.1	Certificate of Incorporation of Alpha Pro Tech, Ltd., incorporated by reference to Exhibit 3(f) to Form 10-K for the year ended December 31, 1994, filed on March 31, 1995 (File No. 000-19893).
3.1.2	Certificate of Amendment of Certificate of Incorporation of Alpha Pro Tech, Ltd., incorporated by reference to Exhibit 3(j) to Form 10-K for the year ended December 31, 1994, filed on March 31, 1995 (File No. 000-19893).
3.1.3	Certificate of Ownership and Merger (BFD Industries, Inc. into Alpha Pro Tech, Ltd.), incorporated by reference to Exhibit 3(l) to Form 10-K for the year ended December 31, 1994, filed on March 31, 1995 (File No. 000-19893).
3.2	Bylaws of Alpha Pro Tech, Ltd., incorporated by reference to Exhibit 3(g) to Form 10-K for the year ended December 31, 1994, filed on March 31, 1995 (File No. 000-19893).
10.1	Alpha Pro Tech, Ltd. 2004 Stock Option Plan, incorporated by reference to Exhibit B to Schedule 14A, filed on April 29, 2004 (File No. 001-15725), in connection with the 2004 Annual Meeting of Stockholders held on June 8, 2004.*
10.1A	Alpha Pro Tech, Ltd. 2004 Stock Option Plan (As Amended on June 7, 2010), incorporated by reference to Exhibit 10.1 to Form 8-K, filed on June 11, 2010.*
10.2	Non-Qualified Stock Option Agreement of David Anderson, incorporated by reference to Exhibit 4.2 to Form S-8, filed on December 13, 2004 (File No. 333-121184).*
10.3	Non-Qualified Stock Option Agreement of Robert Isaly, incorporated by reference to Exhibit 4.3 to Form S-8, filed on December 13, 2004 (File No. 333-121184).*
10.4	Non-Qualified Stock Option Agreement of John Ritota, incorporated by reference to Exhibit 4.4 to Form S-8, filed on December 13, 2004 (File No. 333-121184).*
10.5	Non-Qualified Stock Option Agreement of Russell Manock, incorporated by reference to Exhibit 4.5 to Form S-8, filed on December 13, 2004 (File No. 333-121184).*
10.6	Incentive Stock Option Agreement of Alexander W. Millar, incorporated by reference to Exhibit 4.6 to Form S-8, filed on December 13, 2004 (File No. 333-121184).*
10.7	Incentive Stock Option Agreement of Sheldon Hoffman, incorporated by reference to Exhibit 4.7 to Form S-8, filed on December 13, 2004 (File No. 333-121184).*
10.8	Incentive Stock Option Agreement of Lloyd Hoffman, incorporated by reference to Exhibit 4.8 to Form S-8, filed on December 13, 2004 (File No. 333-121184).*
10.9	Employment Agreement between the Company and Al Millar, dated June, 1989, incorporated by reference to Form 10 Registration Statement, filed on February 25, 1992 (File No.

000-19893).*

14	Alpha Pro Tech, Ltd. Code of Business Conduct and Ethics, incorporated by reference to Exhibit 10 (r) to Form 10-K/A, filed on April 2 9, 2004 (File No. 001-15725).
21	Subsidiaries of Alpha Pro Tech, Ltd.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Chief Executive Officer.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Chief Financial Officer.
101	Interactive Data File

* Indicates a management contract or compensatory plan or arrangement.